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LOMBARD

# An alternative to the axe

BY SAMUEL BRITTAN

ON FRIDAY I rank up the normally excellent reference section of my local public library with a small inquiry. The lady at the other end told me that there was now no service on Friday "because of the economy".

It seemed best to close the conversation before she realised that I was one of these dreadful economic wretches who thought that public spending had increased too fast in the last few years. So I retired, still between my legs.

Subsequent reflection made me more and more uneasy. Here in an impressive public library into which a great deal of resources had gone. There is almost certainly too, a considerable overhead in running the services. Must all this go to waste one day a week? Is this the most sensible way to run our affairs?

Do we really have to choose between unimpaired economic growth and the shabby mess of our environment and let public spending go careening ahead? Is there no third course?

Of course there is. It is in the library can be kept open on Fridays by charging for its services. Please don't reply that no-one will come on Friday if there is a charge. How do we know unless it is tried? There will be people who would prefer to come when it is less crowded and attention is available straight away.

In any case the question needs to be posed the other way round. A zero priced library service is a redistribution of income to those who use it from other taxpayers and ratepayers. Quite often it will be a redistribution towards the better off. Would it not be just as sensible to regard the charge as the norm and the free days as concessions?

I do not pretend that it is easy to introduce a charging service instantly. But if there were ever a case of "where there's a will there's a way" this is it. Clearly the experiment will have very much of success if the staff throw themselves into it with enthusiasm than if they make long faces and glumly blame it all on Treasury Slogroves. There may be all kinds of reasons for example a willingness to carry out photostating for clients which could make the Friday service positively attractive.

The people who run libraries

RACING

BY DOMINIC WIGAN

## Royal Blend has pace

ROYAL BLEND, who was with drawn from Saturday's Rose Stakes in favour of a tilt at this afternoon's Chester Vase, can justify the switch by outpacing the consistent but second-rate Millionaire.

A well-made grey colt by Crepello out of the Oaks fourth, Bombazine, who has already produced one top-class performer in Bruni, Royal Blend has had only one race. Three weeks ago, he did all that was asked of him when quickening smoothly in a 14-runner maiden event at Newbury to win, going away, by two and a half lengths from Sea Raider.

Royal Blend is sure to be all the better for that early introduction, and is likely to have too much pace for his Seven Barrows rival and the apparently improved Irish challenge, Uncle Poley.

In spite of the obvious claims of Slim Jim and Porculio respectively, and if back to his best form of early last season, is certain to take a great deal of beating.

Bruce Hobbs and Geoff Lewis, who were both more than pleased with the fine effort put up by Tachypus at Newmarket, will be hoping that the lightly raced Conifer can go one better

already shown a liking for this course, and will probably be at peak fitness after his recent run at Newbury, where he looked in need of the outing.

Pledges receives 5th and 11th

**CHESTER**  
12.15—Cosmic Dancer  
2.45—Pledge  
3.15—Royal Blend  
3.45—Conifer  
4.15—Zoraster  
4.45—Hannyn  
**WINDSOR**  
5.30—Baraldi  
6.00—Lowe Patrol  
7.20—Swinging Pan

SALEROOM

BY ANTONY THORNCROFT

## Oriental items make £366,598

SOTHEBY'S spring week of sales of Islamic works of art got off to a sparkling start yesterday with an auction of Oriental manuscripts and miniatures which brought in £366,598, way ahead of estimate.

Just over 1 per cent. was bought in. As a measure of its success, a page showing a young girl in a polychrome dress, produced in Shiraz, Mu'in, produced in 1552, sold for £40,000, against a £5,000-£7,000, pre-sale estimate.

Aaron, a Tehran private buyer, paid £36,000 for a Shahnameh, a manuscript produced in Shiraz, c. 1550, with 19 miniatures; another Shahnameh, slightly earlier, with 72 miniatures, fetched £32,000.

Afsar, a Paris dealer, bought a Subhat al-Abrar, a manuscript of 1529, for £30,000; while £26,000 secured a page showing an elderly man addressing a group of people, Mu'in, c. 1600. The same sum was paid for another page by Mu'in depicting a prince covering a lady with his cloak.

Sotbeys's afternoon sale of Islamic arms, armour and other works totalled £178,216, although the most interesting lot, a fine

Indo-Iranian astrolabe, failed to sell and was bought in at £20,000.

The top price—£14,000—was paid anonymously for a pair of Iranian steel doves.

An Iranian private buyer bought a Qajar gold Qalban bowl, painted in polychrome enamel with four panels of lions of young girls interspersed with portraits probably representing the Magdona and Child, for £9,000.

Another pair of Islamic steel ducks went to a London dealer for £4,000.

Christie's week of auctions at Geneva was a great success, bringing in £7,579,638, a record for the saleroom. The top prices were paid at the Thursday jewels sale which totalled £4,940,920. There was around Middle East buying. Among the high lights were £345,000 for a colourless pear-shaped diamond of 25.07 carats; £295,454 for a diamond ring set with a stone of 30.99 carats; and £258,608 paid by Van Cleef and Arpels for a diamond necklace it had made itself.

A routine sale of Chinese ceramics and works of art totalled £25,257 at Christie's

yesterday.

A private buyer paid £1,000 for a miniature of a 15th-century vase, as did A. and F. Gordon for a pair of Chai Ching family rose balustrade vases, painted with Shou Lao and other Taoist immortals.

A pair of 15th-16th century famille verte seated figures of Buddhist lions, made 2289 (Adrians).

A Kang Hsi blue and white deep bowl went to Marchant for £850, as did a pair of Kang Hsi famille verte plates each painted with "The Hundred Antiques".

Prince Philip in competition

Prince Philip is expected to take part in the carriage driving competition to be held during the Franklin Miot International Driving Championships at Goodwood House, Sussex, from Friday to Sunday. He will be among 31 entries to the driven carriage, the driving marathon and the obstacle driving events.

WINE

BY EDMUND PENNING-ROWSELL

## The effect of frost on Bordeaux prices

THERE HAS already been a good deal of publicity in the wine world over the severe frost that occurred in Bordeaux at the end of March, and the snow that fell on Easter Eve. Reports vary from somewhat wild suggestions of total loss to estimates of a reduction of 30 per cent. of a normal crop—whatever that is.

At today's rather flat feature, the evening meeting at Windsor, I shall be more than surprised if the speedy Swinging Pan fails to make it three wins from four attempts in the five-furlong Frognome Stakes. A fortnight ago, this daughter of Swirling Easy proved much too good for the Newmarket winner, Lady Peg, when landing the valuable Boast Fair Stakes at Pontefract.

A reproduction of that running should see Edward Hyde's mount proving much too good for the dual winner, Cobden Lady, who is bidding to follow up easily gained Warwick and Brighton successes.

The prospects for the coming vintage will not be clear for another fortnight. When risk of serious frost is over, and until it can be seen how much of the secondary budding has survived and is in a condition to produce harvestable grapes, there is the success of the June sowing of the vines to be taken into account, followed by the three-month long haul to the vintage.

It could, indeed, turn out that these frosts have been a blessing in disguise. A frost but fine crop might suit Bordeaux very well, except for these fashionable classed growths that seem to have little difficulty in disposing of their wine in all but the most indifferent years. For there is no lack of stock in the Gironde.

At the close of last year's vintage the total appellation red Bordeaux rose to a record level of 552m. hl. compared with 528m. hl. a year earlier—and only 51m. in 1973. The weight of white wine stock is less important, depressed though that side of the Bordeaux trade is.

Good demand

But the 1976 red wine crop was only a whisker less than the record 1973 vintage.

As the 75 clarets were both good, well-balanced and relatively short in supply, there has been good demand for them

in France, while among foreign customers the Belgians, Dutch and Swiss have been good buyers; and even the Americans have regained some of the edge in Bordeaux, and they lost in the post-speculation debacle. Even the hard-pressed U.K. market has started again to buy claret above the generic level. So in 1976 Bordeaux exports were 10 per cent. up on value too, largely owing to the increase in the shipments in bottle, which for the first time accounted for more than half the total dispatches from the Gironde.

With the finer 75 already in stock, anything like reasonable prices, attention has

turned to the much more variable 76s, and even before the frosts arrived to stimulate a rise in prices, there were incipient signs that a little revived success was going to some Bordeaux heads.

Yet, as recently as last October, the re-constituted Conseil Interprofessionnel du Vin de Bordeaux, under the energetic lead of its new merchant-president, M. Jean-Paul Jauffret, had with some difficulty devised and secured a new agreement to what was called the "Bordeaux Contract". This was designed to even out the dangerous, damaging oscillations of the basic Bordeaux trade. This means the inter-association of one or two minor associated appellations which together account for nearly half the total red AC crop. Last year they totalled 1.1m. hl. out of 4.5m. hl. compared with 500,000 hl. out of 1.6m. hl. in 1975. Last autumn a minimum of Frs.200 (one tonneau) was fixed, below which the growers agreed not to sell, and would be compensated. Then the price was set at Frs.2,000, but it was not to be a floor price, and it was to be a ceiling at Frs.4,000.

At the beginning of April before the effects of the first frosts could be felt, the price of satisfactory 76 Bordeaux Rouge was Frs.2,700, and I believe that no regulating stocks have been formed. Medoc was already at the top of its ceiling at Frs.4,000.

Although the frosts have caused an almost total suspension of business, it seems more than likely that the hard-fought-for "Bordeaux Contract" has been dealt a severe, perhaps fatal blow.

Even beforehand, the superior 76 ACs were higher than predicted last autumn, when plentiful crops of classed and bourgeois growths were expected to be no more in price than the clearly finer, shorter 75s. For, while some chateaux claim to have made as good wine last year as in the previous one, generally the quality has been less than the same level; yet there is more wine to dispose of.

For example, the 11 classed growths of St. Julien, plus the well-known bourgeois Gloria, declared 24,464 hl. last year, compared with 19,491 hl. in 1976, from a slightly smaller area: a small good crop might suit the trade very well. Meanwhile, the going to see Bordeaux once more price itself out of the market?

Not necessarily will all the wine entitled to the St. Julien

AC carry the chateau label, for the product of young vines and of less successful vintages may be excluded. But the crop was larger everywhere, nearly 50 per cent. more in St. Estephe and 25 per cent. in the extensive district of St. Emilion.

Speedy rise

Yet although some St. Julien chateaux offered their wines at not appreciably more than their 75 opening prices, others were higher. One popular growth that had offered its 76 at Frs.19,000 a tonneau, came out at Frs.21,000 for its 76 and speedily moved to Frs.22,000. (The consumer a claret offered to chateau at Frs.22,000 is unlikely to cost much less than 25 a bottle when first listed here). More over, since then many prices have risen from 25-40 per cent.

Also there are indications that the inter-association competition and pre-arranged which were significant elements in raising prices in the 1970-73 boom are beginning again. One St. Julien proprietor planning to offer his 76 wine at Frs.19,000 thought the inter-association competition as a neighbour, particularly as the former enjoys a higher rating in the somewhat moth-eaten but still widely accepted 1855 classification.

Certainly, the leaders of the Bordeaux trade are trying to prevent another speculative price explosion. M. Jauffret has urged caution, and the president of the Fédération des Syndicats des Grands Vins de Bordeaux has stated that there is no justification for price rises now. It would be a pity if the frost were to serve as a detonator for a price explosion; the large stocks held will enable the professional organisation to reduce the effect of the frost on market prices.

It is to be hoped that these authorities' words will be heeded, but one cannot be too hopeful.

Unfortunately, prices at least of the higher Bordeaux red ACs are based not on cost-plus, tempered by considerations of quality and quantity, but on what the market will bear at any given moment.

Then, if a grower offers his wine at less than those considered his peers, he risks having his wine thought inferior. Of course, the severe frosts are a factor in pricing, but since when did Bordeaux expect a large, good vintage every year? Anyhow it is too early to write off the 77 vintage, and a small good crop might suit the trade very well. Meanwhile, the going to see Bordeaux once more price itself out of the market?

Not necessarily will all the wine entitled to the St. Julien

## TV/Radio

† Indicates programme in black and white.

**BBC 1**

6.40 and 7.30 a.m. Open University (UHF only). 9.30 For Schools. Colleges. 12.15 p.m. Posh. 1.30 p.m. 1.45 News. 1.50 p.m. 1.55 News. 2.00 p.m. 2.15 For Schools. Colleges. 3.05 p.m. 3.10 News. 3.15 For Schools. Colleges. 3.30 p.m. 3.35 News. 3.40 News. 3.45 News. 3.50 News. 3.55 News. 4.00 News. 4.05 News. 4.10 News. 4.15 News. 4.20 News. 4.25 News. 4.30 News. 4.35 News. 4.40 News. 4.45 News. 4.50 News. 4.55 News. 5.00 News. 5.05 News. 5.10 News. 5.15 News. 5.20 News. 5.25 News. 5.30 News. 5.35 News. 5.40 News. 5.45 News. 5.50 News. 5.55 News. 6.00 News. 6.05 News. 6.10 News. 6.15 News. 6.20 News. 6.25 News. 6.30 News. 6.35 News. 6.40 News. 6.45 News. 6.50 News. 6.55 News. 7.00 News. 7.05 News. 7.10 News. 7.15 News. 7.20 News. 7.25 News. 7.30 News. 7.35 News. 7.40 News. 7.45 News. 7.50 News. 7.55 News. 8.00 News. 8.05 News. 8.10 News. 8.15 News. 8.20 News. 8.25 News. 8.30 News. 8.35 News. 8.40 News. 8.45 News. 8.50 News. 8.55 News. 9.00 News. 9.05 News. 9.10 News. 9.15 News. 9.20 News. 9.25 News. 9.30 News. 9.35 News. 9.40 News. 9.45 News. 9.50 News. 9.55 News. 10.00 News. 10.05 News. 10.10 News. 10.15 News. 10.20 News. 10.25 News. 10.30 News. 10.35 News. 10.40 News. 10.45 News. 10.50 News. 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## A FINANCIAL TIMES SURVEY

## NORWAY

MAY 17 1977

The Financial Times is preparing to publish a survey on Norway in its edition of May 17, 1977. The editorial coverage will include a discussion of the political background against which September's general elections will be held. It will also examine Norway's North Sea oil revenue expectations. Separate articles will be devoted to shipping, shipbuilding, the manufacturing industry and banking. The main headings of the proposed editorial synopsis are set out below.

**INTRODUCTION** Internally, Norwegians vote in September to decide the political flavour of a government that will be in power when oil revenues start to flow. Externally, Norway is involved in some delicate diplomatic manoeuvring over fishing limits, the Spitsbergen issue and relations with the Soviet Union.

**THE ECONOMY** Norwegians have been enjoying a steady improvement in real incomes throughout the recession but inflation, the strength of the Norwegian krone and high cost levels are causing problems for both the national economy and industrial concerns.

**NORTH SEA OIL** Exploration and development on the Norwegian shelf are progressing but there is controversy over both pace of development and the costs involved. Expansion into refining and petrochemicals is under way and talks have started with several countries on industrial co-operation in return for Norwegian oil and gas.

**OFFSHORE SUPPLIES** A surplus of rigs, either built or on order, has tempered the hopes of Norwegian owners and producers. Oil operations have had a smaller effect than expected on the labour market. But Norwegian companies have developed a very wide range of services for the offshore industry.

**SHIPPING AND SHIPBUILDING** Norwegian companies have been developing sophisticated new shipping technology after two lean years for owners and yards.

**MANUFACTURING INDUSTRY** The aluminium, steel, ferro-alloy, transport equipment and paper industries are all in a transitional stage: an electronics industry is taking shape.

**RANKING** September's elections will finally determine the future operating conditions for the private banks. Meantime, political uncertainty has not prevented them from improving profits and expanding foreign business.

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## FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

The contents and publication dates of all surveys in the Financial Times are subject to change at the discretion of the Editor.

## EUROPEAN NEWS

## ROMANIAN RECONSTRUCTION

## Cementing old ties

BY DAVID LASCELLES, RECENTLY IN BUCHAREST

TWO MONTHS after its shattering earthquake, Romania is working round the clock to repair the damage with an efficiency which has impressed foreigners and brought quick results. But while the catastrophe may have given a spur to Romania's well-known patriotism, it also appears to have soured the political atmosphere and ended earlier trends towards greater tolerance.

Central Bucharest, which bore the brunt of the tremors, is no longer the scene of devastation it was in March. Thanks to teams of khaki-clad workers, most of them brought in from the provinces by the truckload, several shattered buildings have been cleared away. Others are being painstakingly dismantled brick by brick, explosives having been banned to avoid rocking shaky foundations.

Dozens of older buildings are propped up with rough-hewn tree trunks, and many will plainly have to be demolished later on. Scarcely a building has escaped; even the massive Intercontinental Hotel, built with the aid of U.S. technology in reinforced concrete, has obvious cracks behind its sumptuous wallpapers.

But seen from out of doors, Bucharest looks more normal than one might expect. The pavements along the wide boulevards, and work on the new metro goes on.

The picture inside is more striking. Apologetic officials receive visitors in cracked and dusty rooms, with plaster hanging off the ceiling and builders hammering and painting next door. Some Government departments, like the Ministry of Foreign Trade, have had to be evacuated to new quarters several streets away.

The cost of earthquake damage is now officially put at 10bn. lei (\$500m, at the official exchange rate) with 1,500 dead and 35,000 families left homeless. But it is still hard to gauge exactly what the effect of it all will be.

With typical panache, Romanians say that their Five Year Plan will not be effected, and that industry is back to normal already. The already Commission turns away visitors "because there is nothing new to discuss." As far as foreign trade is concerned, the official line is that it is "business as usual" even though many foreign trade corporations were left without a roof over their heads. Significantly for the balance of payments, none of the tourist areas was affected, and Romania is hoping that would-be visitors will not be deterred.

## Disaster

But if word has gone out to play down the implications, nobody plays down the scale of the disaster. President Ceausescu has repeatedly called it catastrophic. The disruption, particularly for private individuals struggling to survive in shattered homes, must be considerable. And it is plain that living standards will suffer. The reduction of the working week, originally scheduled for this year, has been put back a year. Workers have given up ten days' wages for the relief fund, yet they must make good self-structural damage to their homes themselves. There was also a drop in oil output from the Ploesti region which lies near the epicentre of the quake. Specialists are still assessing the extent of underground damage, but oil officials say they expect to meet this year's original output target of some 15m. tons. In a number of factories I was shown, work appeared to be going on normally. To put the damage in perspective, 10bn. lei is some 6 per cent. of Romania's planned investment for this year, and the 32,000 homes destroyed represent a quarter of the dwellings completed last year. At least a third of the damage will be paid for by public contributions, and Romania has received several million dollars' worth of aid and credits from the West, plus supplies and other help from East European countries.

## Exceptional

The circumstances of course, are exceptional. And to some extent the clampdown reflects the broader situation in the Eastern bloc, where dissent and East-West relations are currently touchy subjects.

But Romania has special preoccupations. The problems of emigration and the national minorities, sore points for many years, flared up again just before the earthquake, largely because of the prospect of the June conference on European security and co-operation.

The Government managed to stave off a major confrontation by granting exit visas to several potential troublemakers, including ethnic Germans and members of the Red Brigades. Although emigration could have snowballed as a result, this conditional course was striking for a country whose internal policies—in contrast to its external ones—have always been toughly orthodox.

Since the earthquake, though, there has been a sharp turnaround. Mr. Ceausescu has roundly condemned emigration as unnatural, and has warned unnamed foreign circles to stop trying to tempt people out of Romania. It is quite clear that would-be emigrants will not now get visas because of the danger of a mass exodus of labour, particularly among the valued German-speaking community.

At the same time, the earthquake appears to have cemented Romania's rapidly improving links with the rest of the Soviet bloc.

This improvement follows last year's summit meeting between Mr. Ceausescu and Mr. Brezhnev, and an unprecedented string of top-level visits to and from other members of the bloc. It is all the more striking as only a year ago Romania and the Soviet Union appeared to be heading for an open quarrel over the disputed Bessarabian territories.

Some observers attribute the reconciliation to Romania's failure to cement closer ties with the Third World. Privately, however, Romanian officials deny this, and say there has been a "qualitative" improvement in their relations with the Warsaw Pact countries. This is a strong term which implies that relations have got on to a new footing.

The reason, they say, is more explicit recognition by Moscow of Romania's sovereignty and independence. They single out the Berlin Declaration by European communist parties last summer, in which the Russians recognised every party's right to map its own way forward.

## Turkish Right facing defeat

BY METIN MUNIR

THE UPSURGE in political violence in Turkey comes at a time when the right-wing parties, which have enjoyed power for nearly a quarter of a century, are faced with a strong prospect of relinquishing it to the Social Democrats at the general election on June 5.

Mr. Bulent Ecevit, chairman of the Social Democratic Republican People's Party (RPP) will win a ruling majority, or come close to it, at the election, it is generally believed here. The 51-year-old politician is backed by industrial workers and urban intellectuals as well as a growing number of peasants and poor city people. The right-wing, on the other hand, is split between five parties.

In the 1973 general election the RPP won 33.3 per cent. of the popular vote to become the strongest party in Parliament. Mr. Ecevit's coalition with the pro-Islamic National Salvation Party (NSP) of Professor Necmettin Erbakan was short-lived, however. Two months after the closure of June 1974, Mr. Ecevit resigned.

He was succeeded by a coalition of four right-wing parties led by Mr. Süleyman Demirel, chairman of the pro-private business Justice Party (JP), called "the Nationalist Front."

In fact, it was purely a bulwark against Mr. Ecevit and his growing popularity. One of the few things the coalition's intensely rival partners had in common was the fear of being usurped by Mr. Ecevit and dislike of his Social Democratic ideas, which were gaining growing acceptance.

For its members, particularly Mr. Demirel, the Nationalist Front was a means of using the opportunities of being in power to strengthen themselves. But because they could not reach a consensus on how to go about this the coalition grew intensely partisan, inconsistent, corrupt and weak. Finally, unable to cope with the situation any longer, Mr. Demirel last month formed an informal alliance with Mr. Ecevit and brought forward the election by four months.

After this the political violence which plagued Turkish universities spread to the election campaign. Early last week, Mr. Ecevit and crowds which gathered to listen to him in eastern Turkey were attacked by right-wing gangs using firearms and stoning in at least three towns. Yesterday 34 people were wounded in Istanbul and scores were killed when fire was opened on the May Day rally organised by the left-wing Confederation of Revolutionary Workers' Unions. Police blamed Maoists for the attack, but there is strong ground to believe that the attackers might have been agents provocateurs from the right wing.

Mr. Alparslan Türkeş, the Deputy Prime Minister and chairman of the neo-Fascist Nationalist Action Party (NAP), became widely regarded as a menace to Turkish democracy. Mr. Türkeş feels himself as powerful that he has refused Mr. Demirel's offer.

It is generally believed that in the 34 days left until the election the command against Mr. Ecevit will continue and there is widespread fear of a Fascist attempt on his life.

## Tension and fear grow in Turin

BY PAUL BETTS

ON THE EVE of the resumption of the trial against 53 members of the left-wing extremist group, the so-called Red Brigades, nearly a year after it first opened, the city of Turin, now under the control of a Communist administration, is once again in the grip of increasing tension and fear.

In the early hours of this morning two policemen were killed by shots from a passing car. Last week, the President of the Turin Association of Lawyers, Sig. Fulvio Croce, was shot through the head by three members of the Red Brigades. Over the week-end, there were five bomb attacks on Turin public buildings and stores. The Red Brigades have now threatened in signed pamphlets to kill two other named Turin lawyers.

The Red Brigades have been perhaps the most aggressive of the subversive extra-parliamentary forces now attempting to revive a new strategy of tension at a time of increasing political and economic uncertainty in the country. The group, which according to several accounts has links with the Baader-Meinhof group in West Germany, has openly declared in its "balance-sheet" found in several public places in Genoa over the week-end, that its activities have laid the basis for a civil war in Italy.

In the "balance-sheet," which claims responsibility for numerous acts of terrorism and kidnappings, they attack the trade union movement for its agreement earlier this year with the national employers' confederation, claiming the unions have betrayed the movement of the working classes. They assert the need to undermine the restructuring of Italian industry and to attack the ruling Christian Democrat party.

From the very beginning, the Red Brigades have seen themselves as an armed left-wing paramilitary group fighting in the name of the popular forces against the fundamental structures of Italian society, including the progressive move towards the so-called "historic compromise" between the Communists and the Christian Democrats.

The performance of the Red Brigades at previous court hearings has been a daily source of shock and horror to the public. The Financial Times reported daily news of the trial, which began in 1976, in the "balance-sheet" found in several public places in Genoa over the week-end, that its activities have laid the basis for a civil war in Italy.

## Pessimism on Danish GDP

PARIS, May 2

THE GROWTH of gross domestic product in Denmark this year may not attain the officially-forecast 2.5 per cent. and the country's current account payments deficit may only show a slight improvement even if recent wage settlements are observed, according to a report published today by the Organisation for Economic Co-operation and Development.

The OECD predicts that demand and output "are likely to remain subdued during the first half of this year, pointing to a rapid deterioration in labour market conditions." Some revival of activity may occur later in the year, however, as the recently imposed Government guidelines on wages will abate cost pressures and boost confidence. AP-DP

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Edited by Denis Sutton

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## EUROPEAN NEWS

# W. Germany warns U.K., Brussels seeks legal ruling on Irish trawler arrests

## Italy on inflation rates

BY ADRIAN DICKS

BONN, May 2.

BRITAIN AND Italy were to trust, there had been a further day given a polite, yet firm, measure of stabilisation. Dr. Friedrichs conceded that the improvement in the business cycle of the Western industrialised countries had "some measures on the part of what slackened its pace," though countries with stronger there was "no occasion for economies, but must make the pessimism." After an average reduction of domestic inflation rise in real gross national product of 5 per cent last year, this group of countries could expect an increase of 4.5 per cent in 1977.

In a speech delivered in Zurich, but which was described as setting the stage for the London summit later this week, Dr. Friedrichs expressed concern at the new acceleration in inflation rates in the two countries. In France, by con-

realised that their room to manoeuvre was "very narrowly drawn." It was noticeable that even in the U.S., "where demands for expansionary measures have been most loudly called for, the accent is now elsewhere."

West Germany had contributed to the international recovery by its over-proportional expansion in imports, its steadily shrinking payments surpluses, and its greater contributions towards balances of payments assistance to other countries.

In these weaker countries, he continued, "the main emphasis must be placed on the weakening of cost and price increases. Neither trade restrictions nor the steady downward drift of the exchange rate could solve the problem."

Dr. Friedrichs also called on the industrialised world to carry its determination to avoid trade restrictions a stage further, by opening its markets to manufactured goods from the developing countries. Only a structural change in trade, based on the competitiveness of the less developed countries, could improve their share of the world's wealth in the long term.

For the present, he welcomed the continuing process of consultation and discussion with the developing countries, and expressed confidence that the richer countries had now made clear that they were negotiating in earnest.

Nonetheless, Dr. Friedrichs also made clear Bonn's continuing distaste for the UNCTAD secretariat's integrated raw materials plan, and indicated that he hopes its alternative suggestion of guaranteed commodity earnings can still be given a hearing.

Members of a West German environmental protection group have dropped their opposition to the building of a coal-fired power station after being promised about DM1.5m. (about £370,000) to be divided between them, writes Jonathan Carr from Bonn.

The money comes from the energy-concern Steag, which explains that it has put up the cash for "infrastructure measures" at the Rhur town of Bergkamen, near where the power station is to be sited.

An anti-nuclear Town Council admitted at the week-end that the money was going to more than 78 members of a "citizens' initiative" group which had opposed the power station project. Leaders of the group are to receive DM40,000. Other members will get DM20,000.

BY ROBIN REEVES

IN AN EEC move which could have critical implications for Britain's battle to secure exclusive national fishing zones of up to 50 miles offshore, as part of a revised common fisheries policy, the Brussels Commission today decided to seek a rapid ruling from the European Court of Justice declaring as "illegal" the arrest of 10 Dutch trawlers by the Irish Naval Service.

The Dutch vessels were arrested late on Friday by the Irish some 20 miles off the Cork coast, for disregarding the Eire Government's unilateral ban on all vessels of 110 feet or over from fishing in waters within 50 to 100 miles of the Irish coast, activated three weeks ago. The Dutch ships appeared before a Cork magistrate today.

An EEC spokesman reiterated that the Commission, unlike the

Irish Government, regards the unilateral ban as discriminatory and therefore against the present rules of the common fisheries policy. Later it was confirmed that the Commission planned to put the case before the European Court in Luxembourg as early as a week on Wednesday, using an accelerated legal procedure. It was also expected that the Court would refer the matter to Luxembourg for a judgment.

In the meantime, Mr. Max van der Stoep, the Dutch Foreign Minister, is expected to deliver a sharp protest at the Irish action during tomorrow's EEC Council of Ministers meeting here: a protest, moreover, which will be meant for British as much as Irish ears.

Britain is by implication also in the dock. It was the U.K.

Government's lone refusal to go along with a substitute EEC conservation plan for mainly Irish waters—spelt out during the Council of Agriculture Ministers' marathon in March—was because its scope extended to the exclusive U.K. fishing bands of six to 12 miles, enshrined in Britain's EEC accession treaty.

The Government argued that to have accepted would have prejudiced its fight for an exclusive coastal band of up to 50 miles as part of a common fisheries policy, revised to take account of the New Year move to 200-mile fishing limits by the EEC.

In the event, Mr. Finn Olav Gundelach, the Brussels Commissioner responsible for fisheries, appealed to EEC member states to behave as if the EEC conservation measures had

been approved. Their most notable feature was the submission of national "fishing plans" to the Irish Government and Commission, to enable the fishing effort of EEC fleets to be monitored in accordance with conservation needs.

The Dutch Government was one of the first to submit a fishing plan, but a meeting scheduled to be held in Brussels last Friday to approve this and other fishing plans was postponed at the last minute.

Fishing plans are expected to be the main method of control in the Commission's revised proposals for the internal EEC fisheries region, to be announced probably later this week. As such, they will represent another setback to Britain's bid to secure exclusive national fishing banks up to 50 miles off shore.

BRUSSELS, May 2.

## Giscard snubs Callaghan over summit dinner

BY ROBERT MAUTHNER

PARIS, May 2.

THE DECISION by President Giscard d'Estaing of Mr. Callaghan's dinner, however, France not to attend a dinner to be given by Mr. James Callaghan, the Prime Minister, next Friday for participants in the London summit conference has been widely interpreted today as a diplomatic snub.

The Elysee Palace, which merely announced at the week-end that Mr. Giscard would not be arriving in London until Saturday to-day, declined to comment on the President's reasons for missing the dinner.

Diplomatic sources here gave several interpretations of the President's show of ill humour.

The greatest source of Mr. Giscard's irritation, apparently, is that Mr. Roy Jenkins, the President of the EEC Commission, has been invited to the dinner by Mr. Callaghan. The French have never been happy about Mr. Jenkins' participation in a purely inter-Governmental meeting and Mr. Giscard finally agreed to his presence at the London summit only on condition that the Commission's role be limited strictly to subjects within the European Community's competence. President

Callaghan evidently believes that Mr. Callaghan's dinner, however, France not to attend a dinner to be given by Mr. James Callaghan, the Prime Minister, next Friday for participants in the London summit conference has been widely interpreted today as a diplomatic snub.

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## Norway Kr.91m. tax loss from blow-out

BY WILLIAM DUFFLOR

STAVANGER, May 2.

THE NORWEGIAN exchequer has lost Kr.91m. (£10m.) in deferred taxes and royalties from the Ekofisk blow-out, and will continue to lose at the rate of some Kr.210m. a month until the Bravo platform resumes production, according to Finance Ministry estimates. It is expected to take at least a month to get Ekofisk back to full production.

In addition, the Norwegian State may have to meet 70 per cent of the costs and damages payable by the Phillips Petroleum Company outside its insurance cover as a result of the blow-out. Under its exploitation contract Phillips can deduct offshore expenses from its payments to the State.

These losses and deferred income estimates were announced after the Norwegian Cabinet on Friday had received a revised budget forecasting a 1977 payment deficit of Kr.18.5bn., or Kr.5bn. more than in the original budget estimate.

The bulk of the deficit comes from borrowing by private oil companies and sub-powers, but Norwegian State borrowing to finance its share of North Sea development has been growing fast. In the first half of 1976 alone, for instance, State lending to its oil company Statoil increased by Kr.280m.

Statoil also borrowed in its

own right to finance its share of the Norwegian petrochemical project and to buy a 30 per cent share in the Mongstad refinery. Norway's foreign debt will be over Kr.70bn. before the end of this year.

While recognising that Norway's oil income will mount sharply once the Statoil field comes on stream in 1979, bankers in Oslo believe that the Norwegian Government will have to consider the structure of its foreign debt following the latest increase in development cost estimates for that field—from Kr.26bn. to Kr.34bn.—and the uncertainties about Parliament's attitude to the pace of future exploration after the Ekofisk blow-out.

Repayments on the State's current medium-term borrowings are due to peak in 1981 and 1982. The Government may have to roll over some of these loans, bankers now believe.

In a May Day speech Prime Minister Odvar Nordli urged politicians not to lose their heads over the North Sea's first near-disaster, but his party chairman Mr. Reulf Steen, stated bluntly that plans to start drilling in north Norwegian waters next year would have to be scrapped.

A more immediate effect could be a Government decision to postpone until after the September General Election the allocation of new blocks in south Norwegian waters under the fourth concession round it announced in March.

## Attack on police in Madrid

A POLICE officer was shot and wounded and another beaten with a metal bar in Madrid yesterday as recriminations continued over the May Day violence which left dozens of people injured and more than 100 arrested in the capital alone, writes Robert Matthews from Madrid. The attack on the police took place in the industrial suburb of Vallecas, the scene of some of the worst street clashes. Neither of the police is understood to be seriously wounded but the incident will add to political tensions.

## Left 'would not alter' French line on EEC

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

BRUSSELS, May 2.

FRENCH policies towards the European Community would be unlikely to undergo any radical or immediate change if next year's general election were to sweep to power a left-wing government under the leadership of M. Francois Mitterrand.

This was the clear impression left by the French Socialist leader at a news conference here this afternoon, following an official visit to the EEC Commission where he held talks with its President, Mr. Roy Jenkins, and other commissioners on a wide range of European topics.

M. Mitterrand allowed that he was dissatisfied with the way in which some of the EEC's economic and social policies were currently organised, but emphasised his party's strong commitment to the basic principles of European integration and to the objectives laid out in the Treaty of Rome.

His professions of faith in the European ideal sounded a good deal more enthusiastic than any heard recently from President Giscard d'Estaing or his ministers.

M. Mitterrand applauded last month's decision to invite Mr. Jenkins to the economic summit in London later this week, a move which was approved only reluctantly by M. Giscard.

Pressed on the attitude of the Socialist partners in the Union of the Left, the Communists, M. Mitterrand admitted that they were somewhat "reticent, not to

say hostile," towards the EEC. But he seemed to imply that their position was due as much to ignorance as to fundamental principle, stressing that the Socialists based their views on the "political realities."

He defended the Common Agricultural Policy (CAP) as a central pillar of the EEC, which must be maintained, and added his voice to the criticism expressed by M. Giscard and others of the large sums being paid in the form of monetary compensation amounts to Britain and other countries to cushion the effects of currency fluctuations on agricultural trade.

Without specifying any particular proposals for reform, he said that he would like to see less attention being paid to the purely financial aspects of the CAP, and indicated that he would favour heavier emphasis on solving some of the structural problems of the farming industry.

On further enlargement of the EEC, M. Mitterrand argued that it was politically important to do something soon for the candidate countries, but did not disguise that their economic integration posed considerable problems. These were particularly acute in the case of Spain, whose industrial and agricultural sectors were much bleaker than those of either Portugal or Greece, and whose eventual membership could create difficulties for France and other members of the Nine.

## EEC admits uranium disappeared

BRUSSELS, May 2.

The European Community today confirmed a report that 200 tons of uranium had disappeared in 1968 between Antwerp and Genoa.

A Commission spokesman

added that its source was unknown, but the cargo had originated from a storage depot in West Germany. According to an unofficial source, the uranium originally came from Zaïre.

AP-DL

An anti-nuclear Town Council admitted at the week-end that the money was going to more than 78 members of a "citizens' initiative" group which had opposed the power station project. Leaders of the group are to receive DM40,000. Other members will get DM20,000.

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## AMERICAN NEWS



## Nixon may be paid \$1m. for interviews

By Jurek Martin, U.S. Editor

WASHINGTON, May 2. "He is back among us, and, as always, in a memorable manner, both painful and poignant, sometimes illuminating, usually self-serving. The once-too-familiar face of Richard Nixon re-enters the homes of America this week for 90 minutes of dramatic television."

This is how Time Magazine previews the first of the four interviews to be shown here and overseas this Wednesday between Richard Nixon and David Frost. They mark the disgraced President's first real emergence from two and a half years of seclusion and, according to Time, which has been provided with considerable quantities of material by the Frost team "under Frost's barrages, Richard Nixon's Watergate defences are shattered."

There are others who take a different view. Clearly nervous that David Frost is not the man to lead Richard Nixon's San Clemente denouement, the Washington Post and the New York Times some previously unpublished transcripts from the Watergate Special Prosecutor's office, showing that Mr. Nixon's involvement in the scandals was far deeper and far earlier than had previously been known.

At the same time, the newspapers and magazines are brimming over with accounts of how David Frost really has done his homework, springing surprises in the form of hitherto undisclosed White House tapes, honing up on U.S. law and, in the end, relentlessly pursuing his quarry until he turns defeated, at bay.

This, of course, is all part of what is known here as a "media hype," an attempt to generate public and commercial interest in a project which, according to the newspapers, appeared to be falling out of disinterest. There is a grain of truth in this: the original intention was to make the Watergate interview the last of the four-part series, following those on foreign and domestic issues which show Mr. Nixon in a more favourable light.

The switch and an intense selling campaign appear to have changed things. The programmes will be shown on at least 150 American television stations and in some 15 overseas countries. Advertising in the U.S. to go with the programme will cost \$125,000 a minute at the latest count only two 30-second slots remain unsold.

U.S. advertising revenues are estimated at about \$3m. for the interviews. Mr. Nixon's fee for the interviews is \$600,000, plus, it has been reported, 10 per cent of the profits (somewhere between 10 and 20 per cent). Costs, including the Nixon fee, will probably range between \$1.5m. and \$2.5m. The most plausible guess is that final profits may amount to about \$2m. of which Frost's company, Paradine, will claim about half, the rest going to other backers, who include Sir James Goldsmith plus, of course, Mr. Nixon's percentage. The former President could wind up earning close to \$1m. for his appearances.

If the advance publicity lives up to its billing and Mr. Nixon appears, in Time's words, "a beaten man," then this must be a fond hope. But there are many people here who refuse to believe that Richard Nixon will admit blame for the Watergate affair and who expect him to fall back on his tried and trusted past defence—that he was ignorant of the war, that others went too far on his behalf, that he was trying to protect the innocent and those faithful to him and even that he acted because of potential damage to national security.

The thrust of the latest press transcripts was to highlight the weakness of all these arguments: they did not, as the New York Times properly pointed out, materially add to the sum of human knowledge on Watergate, but they served to reinforce the total and consuming involvement of the former President in the cover-up.

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## Waldheim calls for agency to help debtor LDCs

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

GUATEMALA CITY, May 2.

ARGUING THAT the whole international financial system was at risk because of the rapidly mounting debts of less developed countries (LDCs), Dr. Kurt Waldheim, the U.N. Secretary-General, today made an urgent call for the creation of a multilateral agency for funding the debt repayments of these countries.

Such an arrangement, he said, would help to avoid "traumatic experiences in the financial market" and facilitate the continuing access of the poor countries to commercial borrowing. Dr. Waldheim was speaking at the opening of the 17th ministerial meeting of the U.N. Economic Commission for Latin America (ECLA).

In a gloomy assessment of the financial difficulties of the developing world, Dr. Waldheim warned that the volume of world, and publicly guaranteed, debt of the 78 non-oil exporting developing countries had reached \$155bn. in 1975, with commercial debt probably well above that figure.

The current account deficit of the non-oil producing countries of Latin America, he added, jumped to \$14bn. a year in 1974-1975, or 48 per cent of annual exports.

"We should ask ourselves," he added, "whether the international financial mechanisms, private and public, are in spite of their more recent diversification and refinement, adequate to cope with problems which are both new and likely to persist." The creation of an agency for helping debtor countries was seen by Dr. Waldheim as part of a package, which could also include agreement on a common fund for commodity exporters, and on science and technology programmes which could be agreed this year within the North-South dialogue. The dialogue, he said, was coming to a crossroads during the most critical period of negotiations since 1973.

There is expectation in conference circles here that the speech due to be delivered tomorrow by Mr. Andrew Young, U.S. Ambassador to the U.N., will spell out in more detail the U.S. position in the North-South dialogue, and show to what extent Washington is prepared to advance towards the position of the developing countries in the context of President Carter's announced intention of a global development strategy.

If this happens, and if the developed countries represented in ECLA (the U.S., Britain, France, the Netherlands and Canada) manage to agree with the Latin Americans on a joint communiqué on the developmental problem of Latin America, the conference will, according to some delegates, then prove to have been a significant step in the negotiations between the developed and developing world about a new international economic order.

where the Masters golf tournament was being held. A story with the picture suggested that several of the aircraft were owned by U.S. corporations.

A U.S. investigation has already come to light of alleged improper use of corporate assets. The Pacific Power and Light Company has disclosed that its president resigned in March because of an internal Revenue Service report that he had made improper use of a company aeroplane. The SEC has also brought charges against several other company executives which are being contested. The IRS is taking similar action.

Use of corporate assets for private purposes if it is not disclosed to the tax authorities may be a breach of tax laws. Non-disclosure of fringe benefits may also be a breach of securities laws, hence the involvement of the SEC.

AP-DJ adds from Puerto Rico: The Federal Reserve intends to pursue in the current Congress

economic boycott of Vietnam and it could grant or refuse to provide the large-scale technological and financial help Hanoi needs to fulfil its \$7.5bn. 1976-80 development.

Meanwhile in Washington, U.S. officials said that U.S. and China have been holding secret talks that could lead to direct shipping and air line agreements. The officials said that Washington and Peking have been quietly talking for several weeks about settling outstanding financial claims. The U.S. claims \$200m. from China and the Chinese claim they own \$80m. in property held in the U.S. Although the two nations trade, the financial claims mean that Chinese ships cannot enter U.S. ports or Chinese airlines cannot land in the U.S. because of the fear the ships or aircraft could be seized.

The situation also makes it impossible for the two nations to exchange trade exhibitions. Because the Chinese have to be held by court order in the U.S., they will not permit major U.S. trade exhibitions in China.

The first hint of the Chinese interest in settling the long-standing financial claims came last July when Mr. Christopher Phillips of the National Council for U.S.-China Trade was told by a Chinese banking official that China might be willing to open ship talks.

U.S. ports or Chinese airlines cannot land in the U.S. because of the fear the ships or aircraft could be seized.

continue consultations when UAE President Sheikh Zaid bin Sultan al Nahyan visits Saudi Arabia on Sunday.

Industrial and economic relations between Iraq and Venezuela were the subject of two meetings to-day between Venezuelan and Iraqi Ministers. They also discussed the possibility of the two countries co-ordinating their positions in the OPEC sub-committee on the reform of the international monetary system, and OPEC's special fund for developing countries.

Joseph Menn adds from Caracas: Venezuela to-day reported crude oil output averaging 2.32m. b/d for the first four months of this year, up by more than 11 per cent from 1976. Venezuela's average crude production, despite a government commitment to conservation, has been running higher than the official goal for more than a year. This has been due to higher demand from the country's foreign customers, and to the Treasury's need for more funds. The government here has showed a consistent tendency to overproduce, and generally tries to make up the difference through more petroleum exports.

The Survey said that OPEC unity will be more elusive if no compromise is reached. Since some states are likely to go ahead with the extra 5 per cent, increase, while others will hold prices at current levels. The two advocates of low prices will

Castle Bank quits Nassau

BY NICKI KELLY

NASSAU, May 2.

CASTLE BANK and Trust named Haven and Trade, Bahamas, the centre of an intensive two-year tax evasion investigation by the U.S. Internal Revenue Service (IRS) has closed its Nassau and Cayman offices. A statement from the Bahamas Central Bank said that Castle Bank agreed to close because of the publicity which focused on that institution and which could ultimately affect the reputation of the Bahamas as an offshore financial centre.

The IRS investigations, code-

named Haven and Trade, Bahamas, the centre of an intensive two-year tax evasion investigation by the U.S. Internal Revenue Service (IRS) has closed its Nassau and Cayman offices. A statement from the Bahamas Central Bank said that Castle Bank agreed to close because of the publicity which focused on that institution and which could ultimately affect the reputation of the Bahamas as an offshore financial centre.

The IRS investigations, code-

## Soft loans expected to help Indian economy

INDIAN foreign exchange problems will be largely settled by soft loans from the International Development Association, which is expected to extend \$2,400m. in the next three years, according to per cent of its total replenishment of \$7.5bn. for this period, R. K. Sharma writes from New Delhi.

The main reason for the bulk of India's foreign exchange problems will be largely settled by soft loans from the International Development Association, which is expected to extend \$2,400m. in the next three years, according to per cent of its total replenishment of \$7.5bn. for this period, R. K. Sharma writes from New Delhi.

With substantial foreign exchange reserves now more than double the level of 1973, India faces no balance of payments difficulties, especially as the 18m-tonne foodgrain buffer stock, and near self-sufficiency in fertilizers, import of two major items unnecessary.

Kenyan concern

There is concern in Kenya about the whereabouts of 17 Kenyans who are supposed to have been released by the Ugandan government after being held in prison on suspicion of coffee smuggling. John Worrall writes from Nairobi.

Iran nuclear price

Iran is asking for a sizeable cut in the price of two 900MW nuclear power plants, which France has already agreed to sell for \$2bn. Reuter reports from Tehran. The sale of nuclear power plants is a main subject of economic talks which opened here yesterday in terms of the sale of the Jean-Pierre Fourcade and Iranian Finance Minister Houshang Ansari.

Japan fish zone

The Japanese Parliament yesterday approved Bills to extend Japan's territorial waters from 12 miles to 200 miles and to establish a 200-mile fishing zone. Reuter reports. The Government considers that the laws, expected to go into force in June, will strengthen Japan's bargaining power in the stalled negotiations with the Soviet Union on an interim fishery agreement.

Indonesia poll

Millions of Indonesians voted yesterday in elections for a new Parliament, and regional and provincial legislative assemblies. Reuter reports from Jakarta. The third in 31 years of independence—was reported to be heavy in Jakarta and provincial capitals. Results are not expected to be known for several days.

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## Smith warns against over-optimism on Owen initiative

SALISBURY, May 2.

PRIME MINISTER Ian Smith today warned Rhodesians not to be over-optimistic about chances of success of the latest Anglo-American proposals for a peaceful transfer of power to the black majority.

"I find that an atmosphere of euphoria is prevailing in certain quarters over the new initiative. Let me warn Rhodesians not to jump to conclusions—we have less on which to pin our faith now than we had after the Kissinger agreement," he told a news conference.

The proposal, presented to Mr. Smith last month by British Foreign Secretary David Owen, call for intensive initial discussions followed by a constitutional conference jointly convened by Britain and the U.S.

Mr. Smith said there was "a cause for some hope," over the latest proposals. Both Britain and the U.S. had learned from the fate of the plan put forward by the then U.S. Secretary of State, Henry Kissinger, which foundered at the Geneva conference last year.

He said he would call a general election if he found his negotiating position had been weakened by the major split in his ruling Rhodesian Front party.

Twelve Right-wing Members of Parliament and the party's vice-chairman were expelled from the Front on Friday. They had been critical of Mr. Smith's handling of the settlement issue and the MPs voted against the Government on a Bill which eased race discrimination.

Zaire claims war success as Egyptians arrive

BY OUR FOREIGN STAFF

AS EGYPTIAN pilots arrived in Kinshasa, the capital of Zaire, yesterday, to honour President Sadat's week-end pledge to aid Zaire, the war between the rebel forces and the state of Zaire in the south-eastern province of Shaba, where Zaire Government forces have recaptured a number of key towns in the past two weeks from rebels who invaded from Angola.

Although diplomatic sources suggested that the war in Shaba (formerly Katanga) was bogged down, with government forces consolidating their hold some 50 miles west of the key Benguela railway town of Mbuji-Shaba, the official Zaire news agency Aza reported heavy fighting in Shaba. According to Aza, heavy fighting, with dead and wounded on both sides, took place on Sunday. The battles were reported as the most serious in terms of casualties since the rebel force, based in Angola and thought to be comprised primarily of Katanga ex-guerrillas, entered Zaire on March 8. The rebels were said by Aza to have suffered "considerable losses" in fighting 19 miles from Kasai against Zaire troops and their Moroccan allies.

However, diplomatic sources, in

Kinshasa reported a slow-down in military activity following the entry by government troops into Mbuji-Shaba ten days ago. While it was unclear whether the rebel force had withdrawn from the remaining western Shaba towns it has held since late March, the advance of government troops was said to be impeded by a shortage of fuel and other logistical problems.

Meanwhile, about 50 Egyptian pilots and technicians checked into a Kinshasa hotel yesterday, following President Sadat's promise to aid Zaire against the rebels.

One of the pilots said, according to UPI, that there had been "some misinterpretation" of what President Sadat had said at a week-end rally in Cairo. "We are not here to take over the whole Zairean air force. We are here to help in any way we can," he said.

In another development, Aza announced that the Zaire government has suspended diplomatic relations with East Germany, which has a small mission in Kinshasa, and which has been accused by Zaire of supplying arms to the rebels.

Khedaffi accuses Sadat

BY OUR FOREIGN STAFF

COLONEL MUHAMMAR Khedaffi, the head of the Libyan Janabiyah (formerly the Libyan Republic), has accused Egypt of courting catastrophe by massing troops along its border with Libya following the termination of their contracts.

In a report on the Libyan leader's May Day speech at a worker's rally, Arna, the national news agency yesterday quoted Colonel Khedaffi as saying to President Sadat: "You are playing with fire. Massing troops at Libya borders is a dangerous game. If we take the same action, catastrophe will happen and you will bear the entire responsibility."

Mutual accusations between Cairo and Tripoli of bombings and acts of sabotage are symptoms of profound political differences. There are some 200,000 Egyptian workers in Libya (providing about 30 per cent of Egypt's much needed foreign currency) and in the last few days hundreds have returned following the termination of their contracts.

A major source of tension has been Libya's close relations with Moscow. Egypt has been particularly offended by the circulation to come Arab States of a note from Moscow, which said that Colonel Khedaffi confirmed in his speech on Sunday, warning Egypt against threatening Libya.

According to a text published in the Cairo daily al-Ahram of April 28 it said that Egypt had been escalating tension along the Egyptian-Libyan border by mobilising troops.

national conspiracy financed by the United States. In any other country such allegations would be dismissed out of hand—indeed one of Mr. Bhutto's promises when he came to power was to expose the "toys of foreign intrigues" but they are still readily swallowed.

Thus the impression that the steam has gone out of the PNA campaign and that their loyalty is suspect has combined with their own divisions to weaken the negotiating position.

Having regained the initiative Mr. Bhutto now seems content to let the negotiations dawdle on. Though he wants another election to renew his mandate, he does not want to lose it. Delay suits his purpose. While the Press is censored and the Opposition in prison he has the campaigning field to himself. He also has more time to adjust the People's Party to the idea of a fresh poll. Those who "won" seats before are bitterly opposed to contesting them again.

Falling a compromise, Mr. Bhutto would hope to show the blame for a breakdown in the Opposition. His contempt for them is perhaps understandable: most of their leaders are his inferiors intellectually and politically, and a PNA victory could well plunge the country into a fresh crisis as the NAP and a loosely federated state clashed with the fundamentalist Islamic concept of a "united, crusading Pakistan." However it was Mr. Bhutto's inflated ego and underestimation of the power of his opponents that brought about the present situation.

The failure to reach any settlement would leave Pakistan where it is to-day—an unhappy dictatorial regime in which stability has been bought at the price of locking up the Opposition and putting the army on the streets. Mr. Bhutto could not expect to ride that out indefinitely, especially as he has an economic crisis on his hands as well.

Mr. Bhutto has used this breathing space to good effect. He has slammed the agitation on the streets so that the curfew has been lifted in every city but Karachi. Over the week-end he swept the Opposition from the streets of Rawalpindi before he had time to gather for the "long march" on his house. He has appeared then in public with charges of complicity in an inter-

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## PAKISTAN'S POLITICAL ENDGAME Why Mr. Bhutto needs a settlement

BY DAVID HOUSEGO, ASIA CORRESPONDENT IN RAWALPINDI

PAKISTAN has a dismal record of how the political process has been conducted by its military rule. It is still touch and go whether Mr. Bhutto and his militant Opposition can find a way out of the stalemate that has paralysed the country for over seven weeks. But the pressures on them to do so are now stronger than ever.

Mr. Bhutto was almost huddled out of the premiership by the street agitation that reached its peak with the general strike of April 21. The campaign was far more widespread than the one (led by Mr. Bhutto) in 1968 which drove President Ayub Khan from office and the rioting claimed more lives (over 200) in far shorter time.

Whatever the scale of the rigging, the demonstrations showed that the election results had no popular validity and Mr. Bhutto no mandate as Prime Minister. . . though resisting calls for his own resignations, his offer of fresh general and provincial elections reflected his instinct that without a major political move, he would lose the sympathy of the army.

opposition claims that martial law was illegal under the present constitution, the chiefs of staff jointly volunteered a political statement reaffirming their allegiance to Mr. Bhutto. Mr. Bhutto has strengthened his links with the army by appointing General Tikka Khan—the retired army chief who has stuck loyally by him—as Minister of Defence. Nonetheless, the middle-ranking officers dislike patrolling Lahore as Mr. Bhutto's henchmen, and their discontent may deepen.

Hence two days after declaring martial law Mr. Bhutto made new verbal proposals for a settlement to the Opposition through Maulana Mufli Mahmud the President of the Pakistan National Alliance and the leader of one of its religious factions, the Jamaat-ul-Islami.

The basis of these is a fresh general election, to be held simultaneously with provincial elections, the lifting of the emergency and the release of political prisoners.

Mr. Bhutto firmly resisted calls for his own resignation, but the offer went far beyond anything he had proposed before. It was also in line with his own instinct that without a major political initiative he would constantly rubbed salt in this

national conspiracy financed by the United States. In any other country such allegations would be dismissed out of hand—indeed one of Mr. Bhutto's promises when he came to power was to expose the "toys of foreign intrigues" but they are still readily swallowed.

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## Australian pressure for probe into CIA

By Kenneth Randall

CANBERRA, May 2. THE LABOR Party opposition intends to press for a full parliamentary inquiry into the Australian activities of foreign intelligence agencies, when the House of Representatives resumes to-morrow.

Although the Government is not likely to agree to such an inquiry, the move could produce the first official reaction to a series of recent allegations about the activities of the U.S. Central Intelligence Agency (CIA), stemming from current espionage trials in Los Angeles.

Mr. Christopher Boyce, a former communications clerk with the U.S. defence contractor TRW, who was convicted last week of having passed secret information to the Soviet embassy in Mexico City, claimed that he had become aware, in the course of his work, of CIA "deception" against Australia, and of agency operations within the Australian trade union movement. In line with established practice, the Government has so far refused to comment on the charges.

Since they were made, however, there have been several other disclosures about CIA activities in Australia and U.S. authorities. On Friday, the Australian Financial Review published the text of a top secret message received by the Australian Security Intelligence Organisation (ASIO) on November 19, 1975, the day before the Labor Government, headed by Mr. Gough Whitlam, was dismissed by Governor-General Sir John Kerr.

Sent to the director-general of ASIO by the organisation's liaison officer in Washington, the message details the CIA's concern over a number of incidents in previous weeks, including an allegation by Mr. Whitlam that the CIA had been supplying funds to the National Country party, then in opposition.

At one point, the cable says, "CIA is perplexed at the point as to what all this means (sic). Does this signify some change in our bilateral intelligence security-related fields? CIA can not see how this dialogue with continued reference to CIA can do other than blow the lid of those installations in Australia where the persons concerned have been working and which are vital to both of our services and countries, particularly installation at Alice Springs." The Alice Springs installation is a long-range communications station known as Pine Gap, the function of which has never been officially divulged.

Today, the Sydney Sun newspaper published a report that Pine Gap is, in fact, a "bugging" operation able to monitor any telephone or telex message originating in, or passing through, the area. It claimed confirmation of its report from two independent sources, one of them apparently being Mr. Victor Marchetti, the former CIA agent and author of "CIA and the Cult of Intelligence."

Mr. Marchetti was reported to have talked with Mr. Boyce in jail since his conviction.

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# WORLD TRADE NEWS

## U.S. EEC Japan quarrel over world steel report

**BY STEWART FLEMING**  
**NEW YORK, May 2.**  
The U.S. Government has asked the Organisation for Economic Co-operation and Development (OECD) to set up a special study group to examine and report on world steel production and demand by the end of the month. The U.S. request, which was made last week and was due to be considered by the OECD council on Wednesday, was supported in general terms by the EEC and Japan. U.S. sources suggest, however, that the OECD study will be broken out between the U.S., the EEC and Japan about the terms of reference for the report.

U.S. government sources frankly admit that one reason for the decision to try to get an OECD study of the world steel trade under way is intense pressure from the U.S. steel industry. But officials argue that their concerns are much wider than the purely domestic.

It is feared that the global steel industry recession, and accompanying allegations of dumping of steel on international markets, and attempts by individual nations to protect their own industries, needs to be tackled through international co-operation before matters degenerate into a trade war. There are hints, too, that the issue of international trade in steel will be raised at the economic summit meeting in London later this week, perhaps as part of the wider debate expected on protectionism.

U.S. steel producers have already filed complaints under Section 301 of the U.S. Trade Act, 1974, about the bilateral agreement between the EEC and Japan, limiting Japanese steel exports to Europe. U.S. steel companies have alleged that the agreement will lead to a diversion of steel from the EEC to the U.S.

The American Iron and Steel Institute has also commissioned a study of what it views as unfair cut-price competition in U.S. markets, particularly from Japan. It claims that Japanese imports are rising to close to 20 per cent of U.S. consumption in the fourth quarter of 1976. Company executives have alleged that a proportion of these imports are being dumped at prices below those in their home markets.

The U.S. itself is coming under pressure to start removing quotas imposed on specialty steels, while U.S. officials are concerned that French action to control domestic sales and distribution but not production will lead to further pressure on the U.S. market from imports.

It is against this background of conflict among steel producers that the decision to seek an international study of steel trade was taken. The U.S. is arguing that the OECD should set up a study group to prepare the report without prior agreement on how the report should be used. For example, should the report be used as a basis on which a steel group in the OECD could make recommendations to the OECD council or trade committee or should the report be for information only?

Renter adds from Paris: The French steel industry will need to raise Frs24.3bn. (\$2.8bn.) between 1977 and 1980. Steel Association President Jacques Ferry said. This will comprise investments Frs8.8bn., repayment of borrowing Frs9.1bn., loans and interests Frs1.6bn., increase in working capital Frs4.5bn. M. Ferry said after a meeting between steel management and unions.

The industry, which made a total loss of Frs2.3bn. in 1976, should lose Frs2.6bn. in 1977; but will make profits of Frs1.6bn. in 1978, Frs3.4bn. in 1979, and Frs4.4bn. in 1980, he added.

M. Ferry said that his estimates are based on a total 40 per cent increase in steel prices between now and 1980. The industry will need to produce 28.5m. tonnes of steel in 1980, against 23.2m. in 1976, rising to 32m. in 1980, he added.

Management has accepted the principle of retirement at the age of 60 for workers in the whole industry, and at 56 years and eight months in certain circumstances, M. Ferry said.

## New Australia curbs on shoe, textile imports

**BY KENNETH RANDALL**  
**CANBERRA, May 2.**  
Whether or not there will be a supplementary allocation during the additional six months period will be the subject of a separate decision.

The Government has been reviewing the effectiveness of its current assistance measures to domestic manufacturers in view of the fact that their employment by January this year was more than 12,000 below the level of January 1976. It now says that "in the light of the current and prospective market situation," present import quotas appear to be too high and are not providing the assistance necessary to maintain employment levels.

As a result, quotas now in force are being extended from 12 months to 18 months' duration.

Existing levels of activity and employment in the domestic industries.

The Government's announcement of its latest measures says: "Importers should bear clearly in mind that if the existing employment and market trends continue, it would be necessary for the Government to allocate quotas for the additional six months period at an annual rate lower than that currently operating in the 1977-78 quota year, in order to provide an acceptable level of employment and activity."

New Zealand Government trade officials arrived in Canberra today to discuss acute problems created for their manufacturers of clothing and textiles by the ending of their traditional exemption from Australian quotas.

Australia insisted on the change at talks last month under the New Zealand-Australia Free Trade Agreement (NAFTA). The understanding reached then was that quotas controls on New Zealand exports would be triggered if they rose above the 1976 level.

It has now emerged, however, that many New Zealand manufacturers have entered into heavy commitments, based on the expectation of expanding and quota-free access to the Australian market.

Reacting to the latest decisions by the Australian Government, the Federation of Consumer Organisations said the Australian textiles industry was dying, but the Government was determined to make the death as long and painful as possible. The Federation, representing 35 organisations with a membership exceeding 1.75m., said: "For consumers, this decision means that the price of all clothing and textile goods, both locally made and imported, will continue to be kept at artificially high levels. According to the IAC, this amounts to an additional \$A500m. (\$290m.) each year."

Faced with an apparently intractable unemployment situation, however, the protectionist mood within the Cabinet is growing steadily stronger. It is now looking at possible increase in protection for local manufacturers of carpets, carpeting, yarn and fabric, wool textiles and spun yarns. A special protective import duty on yarns, due to expire last week, has been extended pending a review.

## Italy close to finalising \$1bn. barter deal in Iran

**BY ROBERT GRAHAM**  
**TEHRAN, May 2.**  
AFTER MORE than two years of discussions, Italian companies negotiating contracts for a large direct reduction steel plant at Bandar Abbas are close to finalising the deal.

The project, costing over \$1bn, will be financed largely by crude sales — the first such arrangement with Italian companies.

A big Italian delegation, led by representatives of the State steel concern Isidero and the construction group Italmont, has been in Tehran. Sources close to the delegation hope to finalise all the details within the next ten days.

Since originally conceived in 1975, the project has undergone several changes. Originally it was to have been one large, 2.5m. ton steel plant, but a satellite town and substantial related infrastructure, costing some \$3bn.

Latterly the project has been broken up into separate parts. The satellite town has apparently been set aside, mainly it seems because the finance was not available and the scheme was too ambitious in relation to local infrastructure. Instead the negotiations now going on are merely for the steel plant which itself will be split into a series of different contracts.

The plant will be built for Isidero, one of the two State-owned steel companies, and will utilise gas from Queshim. Iran already has one direct reduction steel plant under construction at Ahwaz. It is still not known which process for direct reduction, Bandar Abbas will be using.

According to unconfirmed but reliable reports, initial payment in the form of crude has already been made by Iran. The crude involved in the overall contract is understood to be in the region of 60,000 b/d which will be utilised by ENL.

The steel contract will raise substantially Italy's presence in Iran. Though some observers are wondering just how profitable some of the Italian ventures will prove to be, Italy has edged in on low tenders which have become very vulnerable with unchecked inflation and scarcity of essential materials like cement.

In particular, SNAM Project is believed to be experiencing difficulties as a result of underbidding for the Tabriz refinery.

## Japan and U.S. resume TV talks

**TOKYO, May 2.**  
JAPAN AND THE U.S. have reopened working-level talks here on restricting Japanese colour television exports to the U.S. officials at the Ministry for Trade and Industry said.

Discussions are expected to cover the question of how far semi-finished products as well as complete sets should be included in any programme of export restraints, the officials said. They added that this question caused the previous U.S.-Japan negotiations in Washington to stall.

Television industry sources said, unconfirmed or partially confirmed, that the U.S. had asked Japan to cut its exports of 2.95m. sets exported to the U.S. in 1976.

Present indications are that the final stages of negotiations will be very difficult. Japan is apparently conducting the talks without accepting the avidity of the U.S. International Trade Commission's (ITC) conclusion that its television exports have injured the U.S. industry and put U.S. jobs in jeopardy.

## U.K. bid for Nigeria ship order

**BY ROY ROGERS, SHIPPING CORRESPONDENT**  
A SENIOR sales team led by Mr. Michael Casey, acting chief executive of British Shipbuilders, is to fly to Nigeria today or tomorrow in a bid to secure a share of a £200m. order for British shipyards. The Nigerian national shipping line has invited representatives from the three countries which have been short-listed for the order for 19 general cargo ships — Britain, Japan and South Korea — for further discussions.

It appears that the Nigerians are nearing a decision on the order — for nine, 12,000-ton, dry cargo vessels and ten of 16,000-ton — which, if it should come to Britain, would help fill the emptying order books of Sunderland Shipbuilders and Swan Hunter, which have put in a joint tender.

There is strong competition from three Japanese yards and from Hyundai of South Korea, and it may well be that the orders will be shared between at least two of the competing countries. Back-up and training facilities offered by the three countries will be taken into account, as well as prices.

Although vital to the industry in Britain, the Nigerian tenders are only part of a big drive by British Shipbuilders for new work to prevent widespread redundancies as existing building programmes are completed.

Another team from British Shipbuilders and the Trade Department is in Poland trying to complete arrangements for supplying 22 bulk carriers worth more than £200m. for the Polish merchant marine.

British Shipbuilders also hopes for sizeable orders from the Royal Navy and individual shipping lines which are trying to use the present glut of shipbuilding capacity to renew much of their tonnage at relatively low prices.

## Singapore shipbuilding output up

**By Our Shipping Correspondent**  
SINGAPORE'S SHIPBUILDING industry increased its output by 68 per cent last year at a time when the industry worldwide entered a period of recession due to overcapacity.

This was disclosed yesterday by Mr. Chua Chin Teck, president of the Singapore Association of Shipbuilders and Repairers (SASAR) in his annual report.

Revenue increased by 28 per cent, on 1975 figures, taking it to Singapore 1.2bn. 63 per cent of which came from shipbuilding and oil rig construction activities. The remainder came from repair work.

These figures serve to underline the dominance of the industry by the Far Eastern countries, especially Japan — which recently reported improved figures for last year — South Korea and Singapore. Expansion of shipbuilding facilities in these countries has been largely at the expense of the more traditional shipbuilding nations in Scandinavia, Europe and Britain.

## ECGD business up sharply

**Financial Times Reporter**  
BRITAIN'S EXPORT Credits Guarantee Department reports an increasing volume of business with provisional figures showing the value of exports insured by the Department now running at an annual rate of about £12bn. compared with a total of £8.3bn. in 1975-76. ECGD's underwriters are now handling over 5,000 credit limit applications a week. These new figures were given by Mr. Derek Smith, Head of ECGD's Comprehensive Guarantee Group.

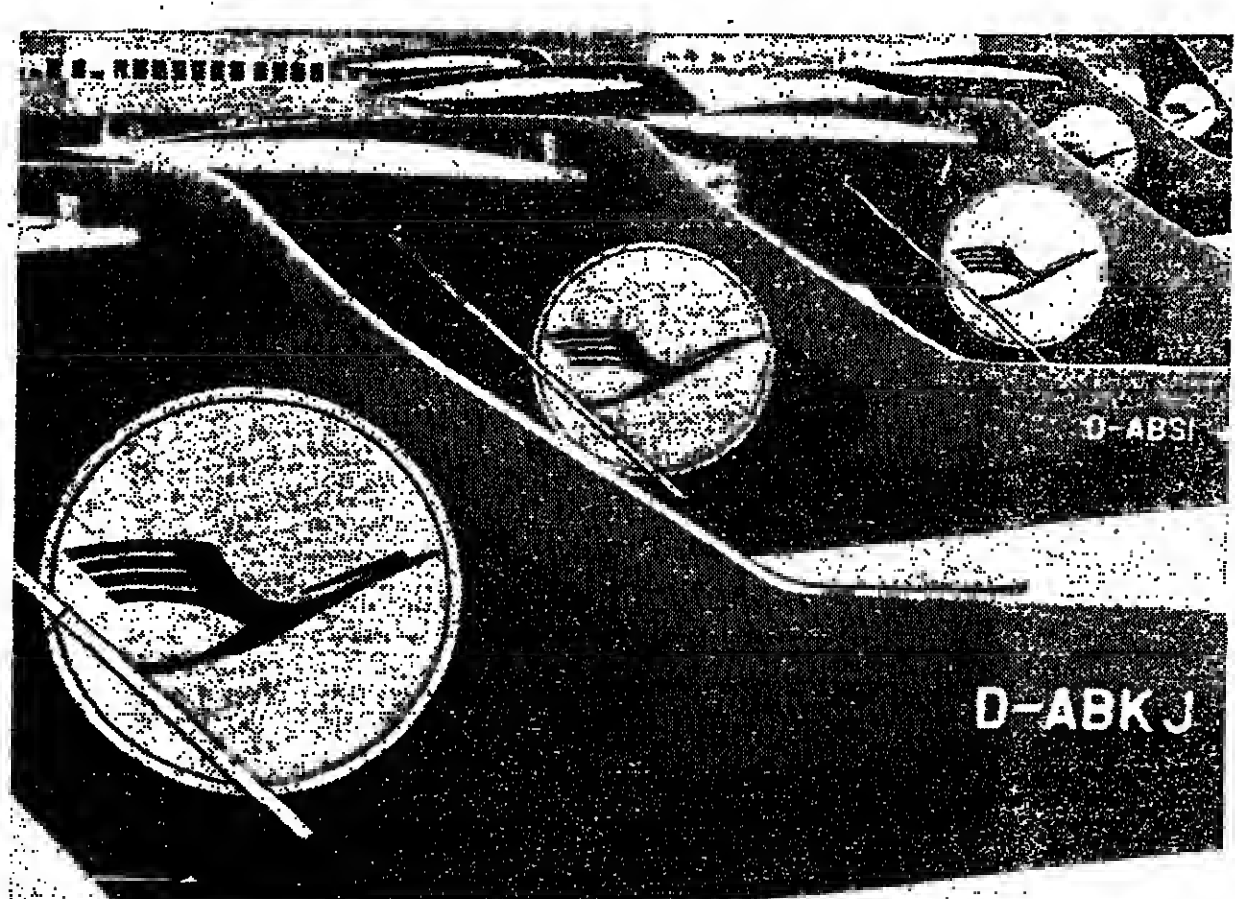
## Lockheed sale to Sudan

**WASHINGTON, May 2.**  
The U.S. DEFENCE Department has notified Congress that it plans to sell six Lockheed aircraft C-130 transport planes, plus spare parts and support services to Sudan for a total price of \$74.4m. AF-DV reports. Under the law Congress has 30 days in which to review and possibly block the transaction.

Our foreign staff adds: Sudan wants to replace its Soviet-made military equipment, which is wearing out, with western and, in particular, U.S. equipment. The sale of the U.S. transport aircraft, which the Sudanese authorities say will be used for civilian purposes as well as military, is the first American equipment to be sold to Sudan under the present Sudanese policy.

The Sudanese Foreign Minister, Dr. Mansour Khalid, last month asked the U.S. administration in Washington, about the possibility of the sale of F-5E fighter aircraft to Sudan to replace ageing Soviet MIG aircraft. The U.S. Government said it would consider the request. The Sudanese are also reported to have discussed U.S. industry and put U.S. jobs in jeopardy.

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The Notes are to be redeemed and will be paid at the option of the holder (a) at the WCC Bond Windows — 2nd Floor of Citibank, N.A., 111 Wall Street, New York, N.Y. 10015, or (b) subject to any laws or regulations at the main offices of Citibank, N.A. in Amsterdam, Frankfurt/Main, London (Citibank House), Milan, Paris, Citibank (Belgium) S.A. in Brussels and Citibank (Luxembourg) S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City on the redemption date, at the redemption price together with accrued interest to the date fixed for redemption. On and after the redemption date, interest on the Notes will cease to accrue and, upon presentation and surrender of the Notes with all coupons appertaining thereto maturing after the redemption date, payment will be made out of funds to be deposited with the Fiscal Agent.

Coupons due June 2, 1977 should be detached and presented for payment in the usual manner.

**PHILIP MORRIS INTERNATIONAL CAPITAL N.V.**  
By CITIBANK, N.A., Fiscal Agent

DATED: April 26, 1977



## HOME NEWS

## BP purchases majority stake in Buchan Field

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM is buying a majority stake in the North Sea Buchan Field. The company, which will take over as operator from the Transworld Petroleum consortium, said last night that preliminary work on a development programme was already in hand.

The field is comparatively small when set against BP's



Forties Field and Shell/Esso's Brent discovery. Unofficial estimates suggest that recoverable reserves might be about 180m. barrels although more information should be gained from two further exploration wells which are drilled later this year.

## Smoking report may be delayed until June

BY STUART ALEXANDER

PUBLICATION of the latest Royal College of Physicians report on smoking and health is understood to have been delayed until June, partly due to printing problems.

The report, the third from the college, is expected to take more serious note this time of the effects of carbon monoxide poisoning due to cigarette smoking, though it may also take a softer line on the use of substitute smoking materials due to be introduced on to the British market on July 1 by all the major U.K. manufacturers.

A repeat of earlier warnings about the dangers of smoking is also expected. Also delayed are the terms of the voluntary agreement between the industry and the Government on sports sponsorship by the tobacco companies. The final draft of the industry's proposals has been with the Minister in charge, Mr. Denis Howell, for nearly a month. However, Mr. Howell is known to have asked for some amendments and there have been some last-minute negotiations on these.

## Meriden plant gains independence

MR. DENNIS POORE, chairman of Norton Villiers Triumph, and Mr. Denis Johnson (far right), chairman of Meriden Motor Cycle Co-operative, both Government-aided companies—yesterday signed the agreement giving the co-operative its own marketing organisation, writes Peter Cartwright in Birmingham.

When the co-operative was set up two years ago with nearly £5m. Government cash, NVT, formed with Government help to revive the U.K. motor cycle industry, was made responsible for marketing the dollar-earning machines from Meriden, near Coventry.

In February, another £500,000 was voted to the co-operative, and GEC also stepped in with £1m. to rescue it from a cash crisis and enable it to buy NVT's marketing and distribution facilities in the U.S., Australia and elsewhere. Most of the £500,000 went towards buying NVT's U.S. operations and the co-operative also acquired stocks of bikes worth £180m. which are financed by the Export Credits Guarantee Department from a £5m. revolving fund.



Terry O'Neil

## Large slice of aid for dockland

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

LONDON'S DOCKLANDS will be a major recipient of the £100m. aid for inner cities sanctioned by the Government and announced in the March Budget.

The £100m. package, of which £33m. is for England, was intended to help the Government's programme of rejuvenation for inner cities as well as provide some stimulus for the construction industry, and is to be spent over the next two years.

This is in addition to the

£95m. aid programme for inner cities announced recently by Mr. Peter Shore, Secretary for the Environment, who said that the Government was rethinking its policies towards inner urban areas.

Yesterday, a few days before the local government elections, Mr. Shore gave details of how the first segment of the aid package would be allocated. Of the £33m. England total, £70m. has now been accounted for. It will go to dockland (£17m.), Liver-

pool, Birmingham, Manchester/Salford (£11m. each) and the London borough of Lambeth (£5m.). A further £2m. will go to the Inner London Education Authority for dockland and Lambeth.

Mr. Shore said that further programmes would be produced for other inner city areas and "in the light of developments in inner city policy" to make up the balance of £26m. still available for England. He has invited the respective authorities to put forward pro-

grammes of construction works in the inner areas of the dockland set out in the Chancellor's Budget statement.

Expenditure will be channelled into three major areas, principally the preparation of industrial sites and the reclamation of derelict inner urban areas.

A White Paper on inner cities is due to be published soon and it will reflect the Government's latest thinking on the subject.

## Call for London commuter co-operative

A SCHEME to make London Transport into a "sort of commuter co-operative" was unveiled by the Liberals yesterday as part of their package for the Greater London Council elections on Thursday, writes Stuart Alexander.

Under the scheme, the public would be invited to invest in London Transport in tranches of £200 up to £1,000.

In return, the investor would be given 20 per cent. off an annual season ticket for every £200 invested for five years. A £1,000 investment would give him free travel for five years.

It would be available for all London Transport buses and tubes, but is designed to be linked to a season ticket for a specific daily journey. An investor paying £400 would also be required to buy his normal season ticket, but at 40 per cent.

off. At the end of the five-year period, the investor would lose the money, but might be entitled to a dividend.

The scheme has been devised for the Liberals by Mr. Kenneth Cooper, managing director of Industrial Leasing and Finance, who said he was not speaking as a Liberal. He hoped that 20 per cent. of commuters would eventually be persuaded to join the scheme, and this would give

London Transport a pool of less than the cost of running your own van. And you'll find us flexible on dimensions and packaging requirements.

The Tories, continuing their theme of cost-cutting, said yesterday they would appoint a Mr. Ferret or Mr. Waste-Chaser who would cut out waste caused by bad housekeeping, such as forgetting to turn lights off and leaving doors open so that heat

## Grades stay stable in comprehensives despite more pupils

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

COMPREHENSIVE schools almost maintained their performance in school-leaving examinations in 1974 and 1975 despite a large increase in their pupil populations, according to Government statistics published today.

In 1973-74, about 380,150 pupils left comprehensives, of whom 18.4 per cent. gained at least the equivalent of five GCE Ordinary-level pass grades, which represents the basic qualification for continued full-time education.

The corresponding figures for 1974-75 were 436,060 leavers of whom just under 18.2 per cent. obtained at least the basic qualification for continued full-time education.

Judged by the same criterion, 6.2 per cent. successes from top place in 1974-75 was held by the semi-independent direct grant schools (now being phased out by the Government) with 4.25.

15,960 leavers and nearly 32 per cent. successes—compared with 18,040 and nearly 31 per cent. in 1973-74.

Recognised independent schools held second place with 27,960 leavers and almost 72 per cent. successes—26,810 and nearly 73 per cent. in 1973-74.

Third came State-maintained grammar schools with 57,790 leavers and just over 71 per cent. successes—50,520 and just over 70 per cent.

Comprehensive schools came fourth, and secondary moderns a long way behind in fifth place with only 5.4 per cent. successes from 131,800 leavers in 1974-75, although this was better than the 4.2 per cent. successes from 160,400 leavers the previous year.

Statistics of Education 1975, Vol. 2. School leavers. S.O. out by the Government) with 4.25.

## Financial Times and Extel to study new services

THE FINANCIAL Times and Exchange Telegraph are discussing establishing an authoritative information service using electronic transmission. If a specialist newsletters, its syndication services of business news and comment are used throughout the world.

The activities of the Extel group, covering sporting and financial news services, printing, telecommunications, statistical services, public relations and specialist information services, might be made available to advertising, data and telecommunications and international markets. New services would be developed from the existing activities of the Financial Times and Extel as a supplement rather than substitute for those activities.

A working party of senior executives under the joint chairmanship of Mr. Justin Drees, a managing director of the Financial Times, and Mr. Michael Dineen, a director of Extel, will report to the boards of both companies by the end of the year. A further statement will be made after that.

## Food contract

CATERER International, oil rig caterers of South Shields, has won a two-year contract worth about £250,000 annually to provide catering services aboard the Shell's giant new Dunlin A production platform, soon to move on to location off the Shetlands.

## Oil refinery plan under scrutiny

Cromarty Petroleum's plan for a £150m. oil refinery at Nigg, Easter Ross, will go before the Highland Regional Council's planning committee on June 8.

Outline planning permission was granted last year after a public inquiry, but the deadline for detailed consent was delayed when the proposal ran into opposition in Parliament.

The plan has been criticised by other oil companies, which say Western Europe already has too much refining capacity. The project has considerable local support.

If the committee approves the plan it will go before the full council in July. The company hopes to invite tenders in the autumn and to start work at the end of the year.

Cromarty—which is owned by American tanker millionaire Mr. Daniel Ludwig—said yesterday that it intended to offer local firms the first opportunity to bid for equipment and service contracts and to let as many tenders as possible in Scotland.

**Half pay**  
The salaries of Board members of the nationalised industries—which employ 2m.—have halved in net worth since 1973-74, according to "Focus", the quarterly Journal of Income Data Services. Except for payments of about £800 a year allowed under the former Conservative Government's incomes policy, the 100 people running these industries have received no increases in five years.

**Big berth opens**  
The Royal Navy yesterday opened its £15m. covered repair complex at Devonport Dockyard. Its first customer was the 2,800-ton HMS Cleopatra.

**Trains delayed**  
The first stage of the Merseyside extended loop-and-link railway network opened yesterday, more than one year late as result of labour disputes during construction.

**Energy savings**  
The iron casting industry could save energy worth £15m. a year at present prices, according to a Department of Energy report. The savings might be attainable in 15 to 20 years. A 10 per cent. saving in energy could cut costs by £5m. a year.

**Morpeth papers**  
The Morpeth Inflation Accounting steering group will publish up to 30 papers before the end of the year covering all the important aspects of current cost accounting (CCA). The papers do not preclude the group from issuing new CCA proposals.

**Life in London**  
Half the people questioned about life in London felt it was not safe to go out alone at night in the centre of the capital, according to a survey by Research Surveys for Thames Television. Even more said it was not as good a place to live as it used to be. But two-thirds felt proud of the capital.

## Why the Post Room should be on the agenda of your next Board Meeting.

Chances are your post room jogs gently along. It doesn't bother the Board; the Board doesn't bother it.

Chances are, also, that this cosy state of affairs is costing you unnecessary money, time and effort. Here are some questions you might raise.

## Seven pointed questions

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3. Could you cut down on transport?
4. Is your post room as efficiently organised and equipped as it could be?
5. Could the post room play a more effective part in your marketing operation—at home and abroad?
6. Do you pay more postage than necessary?

The information that follows may suggest thought-provoking possibilities. There is also a film entitled "The great mail room mystery" which is available on loan.

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GRANADA TELEVISION 1956-77



The Post Office

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## Tories to seek cancellation of deferred tax

BY MICHAEL LAFFERTY, CITY STAFF

MORE ENCOURAGEMENT for small businesses, and proposals for the abolition of deferred tax liabilities are expected to be among the main features of the Tories' attack on the Finance Bill, which is due to start its Committee Stage in the Commons on Monday.

Other amendments which the Opposition will table cover car tax benefits, the lump, overseas earnings, and retirement annuity relief for the self-employed.

The Tories will propose that the threshold for registration for VAT should be lifted from £5,000 to £10,000 on the grounds that the present limit has been overtaken by inflation and now involves far more small businesses in unnecessary paperwork than had been intended.

The Opposition is also likely to argue that the rules for granting tax exemption certificates to sub-contractors in the construction industry are needlessly strict. They say it is unrealistic to expect sub-contractors to prove they have proper business premises, adequate records, and have worked in the U.K. for the past three years before being granted a certificate.

Another relaxation which the Tories will be seeking covers the tax relief which self-employed businessmen are entitled to on their retirement annuity payments. They will argue that the rule which limits tax relief to 15 per cent of a person's salary, up

to an absolute maximum of £3,000, should be raised in some cases for older people so as to allow them to make adequate provision for their retirement.

The 15 per cent limit effectively prevents a person on say, a salary of £8,000 from paying a premium of more than £900.

The Conservative Party, like many companies, has been very worried at the possible political implications of very large deferred tax balances in company accounts. These arise as a result of the disparity between the way in which company profits are assessed and the way they are taxed.

Companies argue that they will never have to pay these liabilities to the Government in the normal course of expanding business. They fear that the sight of such balances in their accounts might one day encourage a Socialist Government to ask for payment, or shares in lieu.

The Tories will call on the Chancellor to forgive companies these notional liabilities for ever, rather than defer them as at present.

The Government's new proposal for granting tax concessions to employees who spend more than 30 days of their working year abroad will be criticised on the grounds that they discriminate in favour of one section of the population.

## Ninian platform takes shape in Loch Carron

THE NINIAN central oil production platform is taking shape in Loch Carron in the Western Highlands of Scotland in readiness for towing to the North Sea this summer.

The Ninian Field, which has an estimated 1.1bn. barrels of recoverable reserves, is operated by the Chevron Group.

The structure will cost more than £100m. It is one of the largest concrete gravity platforms, writes Ray Dafter, Energy Correspondent.

The 1,600-strong workforce of Howard Doris at Loch Kishorn, close to Loch Carron, has been working round the clock in a bid to deliver the platform during this summer's fine weather—when such structures can be towed and installed safely.

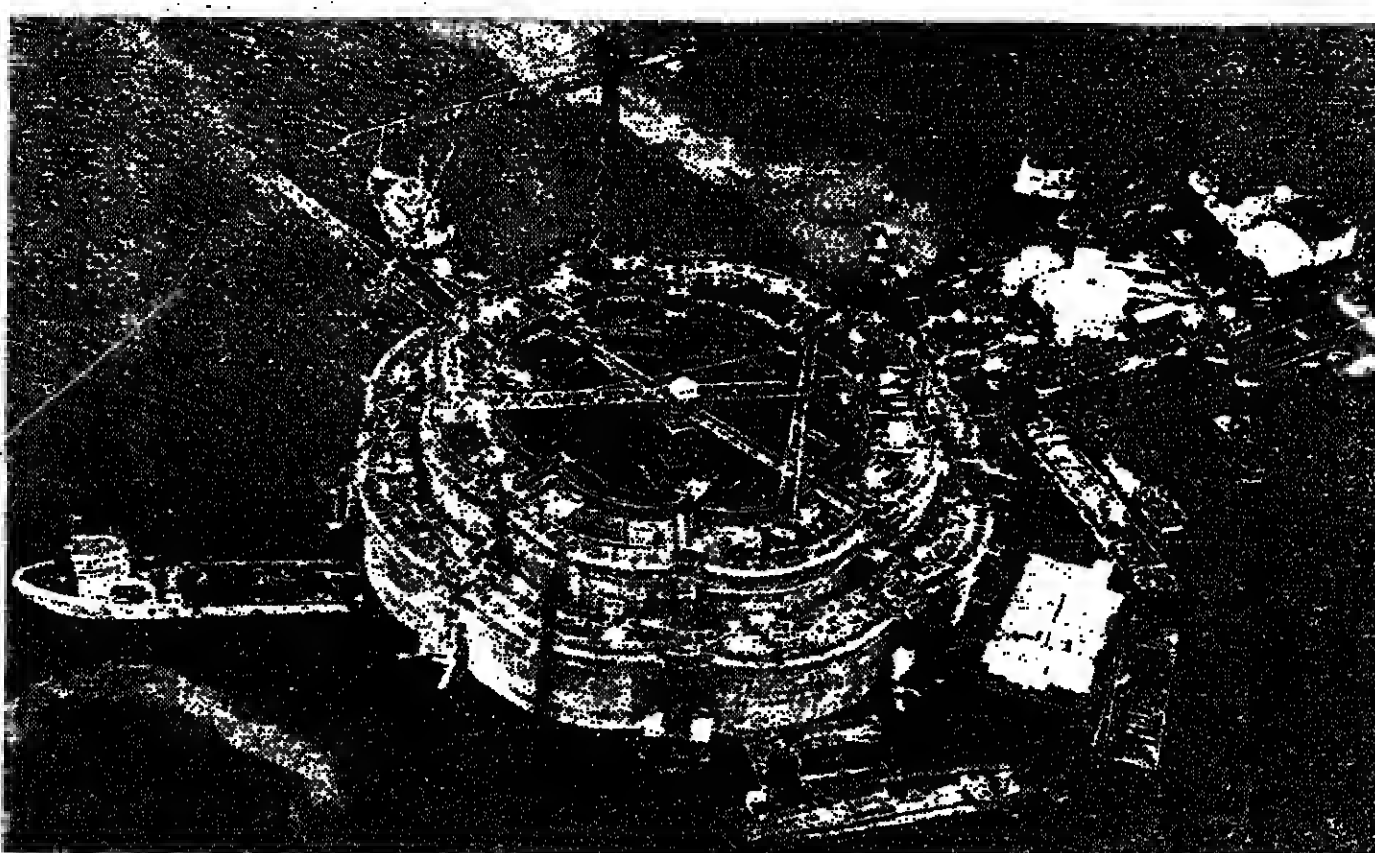
### Contract

In July the platform, containing 350,000 tonnes of concrete, will be towed to the Inner Sound of Raasay where it will be ballasted low in the water for the installation of the steel platform deck. When the tow begins the platform will weigh more than 450,000 tonnes.

The tow, which will cover 430 nautical miles, is among the biggest towing operations ever.

Like a number of other U.K. platform constructors Howard Doris has been designing new types of production and offshore loading to meet the oil industry's demand for smaller, less costly structures.

Dr. Dickson Mahon, Minister of State for Energy, said last week that constructors of concrete platforms were likely to continue to face lean order books in the next few years.



Information gathered by the Department of Energy indicated that between three and five fixed platforms might be ordered in the next 14 months.

Three of those would probably be made of steel. The other two could be either steel or concrete structures.

Tenders for what will be one of the North Sea's biggest steel platforms are expected to be invited in the next few days.

Continental Oil is about to order a platform for the Murchison Field. Construction is scheduled to start at the end

of June with completion after 20 months.

Conoco, the operator of the field, said the group would decide in the next few days which yards would be invited in tender for the main contract.

Redpath Dorman Long's construction yard at Methil, where the remaining 400 of the workforce await being laid off on May 20, is among those anxious to land the contract.

Laing Offshore on Teesside is another looking for new orders although it has been forced to lay off virtually all its 1,800 workers because of the lack of orders.

## March beer output up and imports down 18%

By Kenneth Gooding

SEVERAL SPECIAL factors boosted beer production in March, but the Brewers' Society continues to insist that the underlying market trend is static.

March production was 2,549 bulk barrels (at 285 units to the barrel), 8 per cent ahead of the same month last year.

Output could have been distorted by the fact that Easter was early in the year—the first week in April—and buying for the holiday would have taken place in March.

Earlier in the month, there was some stocking up by shops convinced that the Chancellor would increase beer duty again in his Budget.

Another possibly significant factor was the 18 per cent drop in beer imports for March. Some of this would certainly have been accounted for by the decision of Carlsberg, the Danish brewer, to brew some of its high-gravity Special Brew lager at the Northampton brewery.

As a result of the March performance, beer production in the first quarter showed a 5.8 per cent increase to 8,611 barrels.

This was after making adjustments to both the 1976 and 1977 figures for the growing impact of high gravity brewing.

## Private house builders are less confident

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

PRIVATE HOUSE builders are less confident than ever, about mortgage rates may help stimulate prospects for the rest of this year, late output further.

According to a survey of more figures from the Department of the Environment, they price of homes on which mortgage the number of homes built gages were approved in the first this year to be lower than their three months of this year was earlier estimates.

A start is likely to be made on rent, on the last quarter of 1976 about 146,000 homes, in the and 7 per cent, on the same private sector. The previous fore-period a year before.

For new homes, the average private starts reached 155,000 price was about £14,000, which is among the lowest annual totals 1 per cent, higher than in the over a decade.

The survey was when building than 12 months before. For society funds were still depressed second-hand properties the averaged. It takes no account of post-age price of £13,200 was a 1 per cent, increase on the previous sales from increase in funds three months and 7 per cent, on and reduction in mortgage rate, the first quarter of 1976.



**National Westminster Bank**

### Rate Changes

NatWest announces that with effect from Tuesday, 3rd May, 1977, its Base Rate is reduced from 9% to 8½% per annum.

Its Deposit Rate on all amounts lodged subject to seven days' notice of withdrawal is 4% per annum.

Savings Accounts will now attract interest at 4% per annum.

All other rates remain unchanged.

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Or you can write to him at the Air Conditioning Advisory Bureau, 30 Millbank, London SW1P 4RD.

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOLTERS

## PROCESSES Cuts the cost of water

ALTHOUGH water supplies in this country are now back to normal after last year's drought there are still good reasons for making the most of it.

The dairy and brewing industries are very large users of water for bottling, washing and they are to be the main targets of Minter Specialist Services which, after pilot scale operations in the dairy industry, is convinced that its water recovery plant has wider applications than were originally envisaged.

Three main components make up its complete water recovery system for integration with existing plant: a tank or reservoir, a deep bed pressure sand filter and a chemical dosing unit.

Minter says it is possible that the tank be large enough to hold sufficient water to meet the daily rate of use, through the bottle washer, filter, etc.

specified according to the debris load, flow pattern of the whole system and pressure needed at the inlet in the bottle washer.

The chemical dosing unit is primarily a chlorine injection plant which coagulates fats, proteins and carbohydrates to make them easier to filter. Minter says it also acts both as a converter of bottle plant detergent to sodium chloride and as a sterilant.

Positioning of the water recovery equipment in relation to the bottle washing machinery is optional and the company claims there is no problem in matching the system to the different types of bottle-washing plant now available.

Minter also claims that at current prices a 100 per cent return on capital investment within two or three years is possible. Apart from water economy, significant savings in chemicals and heating costs in milk-bottle washing plants have been achieved and it is this experience that convinces the company that there must be applications in quite a number of other industries.

Detailed information about the system is available from Minter at Vincent House, Vincent Square, London SW1P 2NB (01-854 9374).

## METALWORKING Machining centre

DEVELOPED by Hahn and Kolb, of Stuttgart, a small machining centre is now available in the U.K. It is designed specifically for workpieces up to about 250 x 250 x 200 mm, although its capacity exceeds these dimensions.

Development of the machine resulted from a survey which indicated that components in this size category were a high proportion of those produced by the engineering industry. Components studied were those that needed several operations, such as milling, drilling, boring and tapping, and were suitable for production on a numerically controlled machining centre.

Called the Steinel B230, an unusual feature of the centre is the horizontal axis of its rotary table. One advantage of this vertical work surface is that both swarf and coolant clear rapidly. Hydraulic fluid can be fed through the bore of the table to operate work holding clamps.

The table is mounted on a vertical slide giving 400 mm travel. The spindle head is mounted on a cross slide which is carried by a longitudinal slide. Travel in both axes is 300 mm. All three axes have a direct drive providing fast traverse.

Two alternative magazines can

be installed—one has a capacity of 24 tools and the other holds 40. Tool change time is 3 secs, while average cut-to-cut time is 6 secs.

Driving power for the main spindle is 5 kw. Two speed ranges are available, either 25 to 5,600 rpm or 315 to 7,100 rpm. The working area is completely enclosed by sliding doors. Floor space required for the machine is about 3,100 mm square. The numerical control equipment is by AEG.

Details from the company's U.K. office at Leicester Road, Rugby, Warwick, CV21 1NY (0783 74261).

## Turning centre from Japan

A SLIDING headstock turning centre with full numerical control has been developed by the Citizen Watch Co. of Tokyo. It has a 15-position vertical tool turret allowing first and second operations to be completed in a single setup.

Turning accuracy claimed for the machine is within 5 microns (0.0002 inch). Basic turning tolerances are mounted in the turret, together with a drive mechanism for rotating tools such as mills, drills and slot cutters.

Maximum bar diameter is 32 mm, and maximum work length is 250 mm. Spindle speeds are from 175 to 3,200 rpm in 16 automatic steps. There is an 11 kW spindle motor providing power for a maximum drilling diameter of 12 mm. Tool setting is stated to take less than 5 minutes per tool.

The main spindle indexes through 30 deg. increments for cross-drilling, cross-tapping, face drilling, milling, slotting, slitting and keyway cutting. Batch size is dialed in, and the machine stops when the batch is completed or the material runs out.

Marketing in the U.K. is by N. C. Engineering, 26, Benskin Road, Watford, Herts, WD1 8NW (Watford 24396).

## MATERIALS Proofing resins

AGREEMENT BOARD certificates have been granted to two water-based epoxy resin building materials made by Unibond, both in the HydrEpoxy range they are an industrial flooring and a water proofing.

The industrial flooring, formed from a 1:1:1 mixture of epoxy emulsion, Portland cement and fine shot sand, is used to repair and resurface concrete floors. It is stated to be waterproof, resistant to many chemicals, and to have an impact resistance and durability superior to that of normal concrete.

The other product is a two-part cold-applied resin emulsion which forms a waterproof coating on brickwork, masonry and concrete structures. The Agreement Board certificate states that it "provides an effective barrier to the transmission of liquid water and water vapour and can be applied without difficulty under normal site conditions to dry or damp brickwork, blockwork or masonry, or dry, damp or green concrete."

The material can be used internally or externally for below ground tanking (such as water

proofing basements), to treat walls above ground level, and as a lining for water-retaining concrete structures.

The company expects the biggest U.K. market to be in the "tanking out" or waterproofing of basement walls to provide habitable working space. Unibond reports that several breweries have expressed interest in treating the walls of their public house cellars to provide accommodation for dive bars.

Both resins can be applied by brush, roller, spray or airless spray. The 280 resin costs about £150/sq. metre (applied 0.008 in. thick, not including costs of sand and cement). The company is considering the introduction of a DIY 4-litre pack early next year.

The resins are made under licence from Acme Chemicals and Insulation Co., a division of Allied Products Corp., in the U.S. Unibond is at Tuscan Way, Industrial Estate, Camberley, Surrey GU15 3DD (0276 63138). The company has an 18-minute colour film available which demonstrates the use of these materials, including an application in building ferro-concrete yachts.

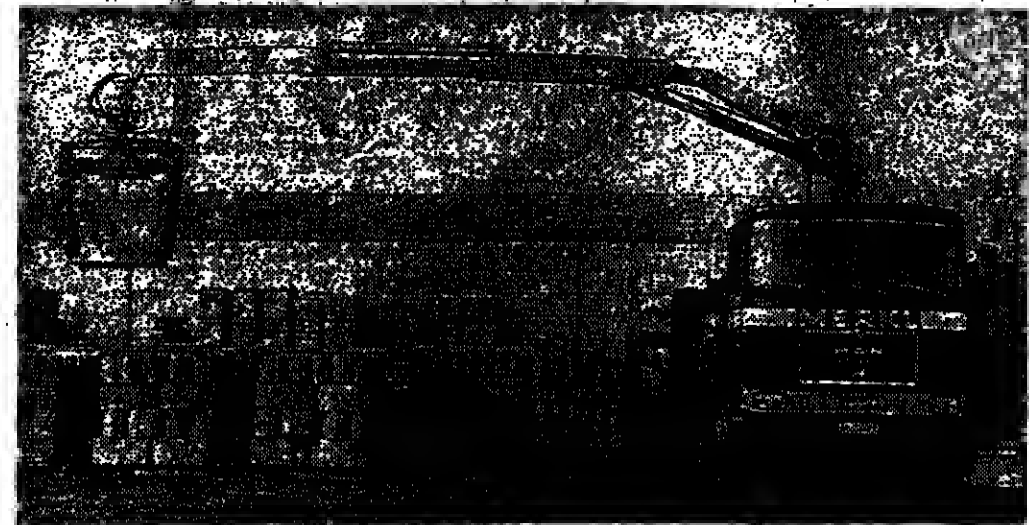
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## PACKAGING Wraps it up in film

TO BRIDGE the gap between large automatic film wrapping machines and small manual sealers, a mini-film wrapper has been launched by Norpak Machines, 388, Harrogate Road, Bradford, BD2 2SP (0274 631811).

Developed from the company's large automatic machine, it can achieve an output of 25 packs/minute (or double that number using a twin track).

The machine will handle up to A4 size, and is said to be suitable for converted paper products, flat bakery products, cold-rolled shrink wraps, gifts and novelty packs. Maximum size of pack on the standard machine is 12 x 9 x 2 inches.



## DATA PROCESSING Almost a mini

BURROUGHS Machines has launched an update version of the C7200, programmable display and printing calculator, the C7200.

The machine uses similar micro-programming techniques but has considerable extra power in its instruction set. The company describes it as "virtually in the class of a mini-computer."

The C7200 has 104 data memories and a 1,000 program steps. It can be applied to many general business calculations and program packages can be supplied for such varied purposes as recipe costing (food, baking, plastics, paints and animal feed-stuffs industries), delivery route analysis (van, lorry, truck, bus, etc.), vehicle rental, accountancy practising problems, property valuation and straightforward payroll calculations. More from Heathrow House, Bath Road, Cranford, Wiltshire (01-759 6522).

This is the latest lorry loader from Hlab-Foco, Sweden, showing its exceptionally long hydraulic outreach. At a radius of 27ft 9in, it will lift 2,540lb. The double telescopic extension boom has a manually operated boom providing a total reach of 41ft, when the maximum load is 1,320lb. At a radius of 6ft, and fitted with a special hook, this crane can lift 13,200lb. Maximum lift height above installation level (the crane can be fitted to boats, or on loading docks) is 35ft, and loads can be placed within a few inches of the king post. The crane can be mounted on almost any 16-ton gvw vehicle. The full range of Hlab special purpose lifting attachments can be fitted. Marketing in the U.K. is by George Cohen Machinery, Wood Lane, London W12 7KL (01-743 2070), a 600 Group company.

## Now foundry can have clean air

AT THE Foundry 77 exhibition this week (NEC, Birmingham, until May 6) is the first complete American Envirodyne air pollution control system in the U.K. Operational on stand 1157 it is connected to a Flexibonomatic cold-box core machine producing fully cured cores, and is actually discharging clean air into the atmosphere of the hall.

The system removes odours, contaminants and photo-chemical hydrocarbons from shell, cold-box, hot-box and any type of resin-bonded core or mould making process. In addition, it removes haze during

## Medium lathe

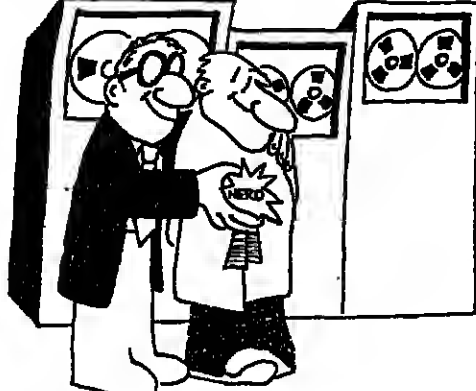
FILLING the gap between light and heavy duty machines is the new Viceroy lathe from Dunford Machine Tools, Birds Ryod, Brigg House, West Yorkshire HD6 1NB (0484 712264).

First, in a new range of machine tools, it has a capacity of 280 mm swing and 600 mm between centres. Said to be competitively priced at £1,200, the lathe is all metal, and is powered by a 1.12 kW motor through a variable speed drive.

A separate feed shaft for sliding and surfacing is operated through an automatic double wall apron. This has an adjustable mechanical feed trip with safety interlock between the feed shaft and leadscrew. There is a two-way, all position tool post, a No. 4MT spindle taper and a No. 4MT tailstock taper centre are fitted. Spindle rpm is shown on a digital display.

## Large Computer Users! How to get users off your back and on your side.

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## Micros to run the machines

APPLICATION of mini-computers to the control of machine tools (CNC) has enabled some users to achieve substantial improvements in productivity and system reliability.

Recently, cheaper equipment based on micro-processors, has come on to the market, bringing the benefits of CNC within the pocket of many more companies. But to realise the potential of such control equipment requires an understanding of the practical implications of how they achieve their control function.

To provide information and advice in this rapidly developing area, Machine Tool Industry Research Association has organised a one-day seminar for July 6 at its Macclesfield headquarters.

Basic characteristics, advantages and lines of development will be discussed by machine tool and control system makers and attention will be paid to how the introduction of CNC in any form affects the management of a numerical control operation.

More from MTIRA, Rulley Road, Macclesfield. 0625 25421.

## Trim data on demand

IMMEDIATE information about ship trim stability and load distribution is available to ship operators in most major ports in the world simply by dialling a local telephone number.

The call connects with a service called Trista (for trim and stability), developed jointly by Scott Lithgow, the Lower Clyde shipbuilders, and the British Ship Research Association. By means of an arrangement just concluded between BSRA and Honeywell, Trista is now available through the Mark III Network—a remote information processing service—that connects over 500 major cities in four continents and is marketed by Honeywell.

Designed for interactive use from an office terminal, Trista can allow deadweight items to be added, removed or transferred to achieve acceptable trim, stability and load distribution. It is, therefore a convenient way to monitor and control loading and

## OFFSHORE INDUSTRIES Oil well controls

TO PROVIDE the new technology demanded by the offshore industry as its oil and gas operations extend into increasingly difficult areas, a joint venture arrangement has been made by Stewart and Stevenson Oil Tools Inc., the Texas-based specialists in control systems for land and offshore oil fields, and Marconi-Elliott Avionics Systems.

The pact applies to joint company operations on a world-wide basis and the companies are currently working together to develop and manufacture high-integrity electro-hydraulic systems for remote control

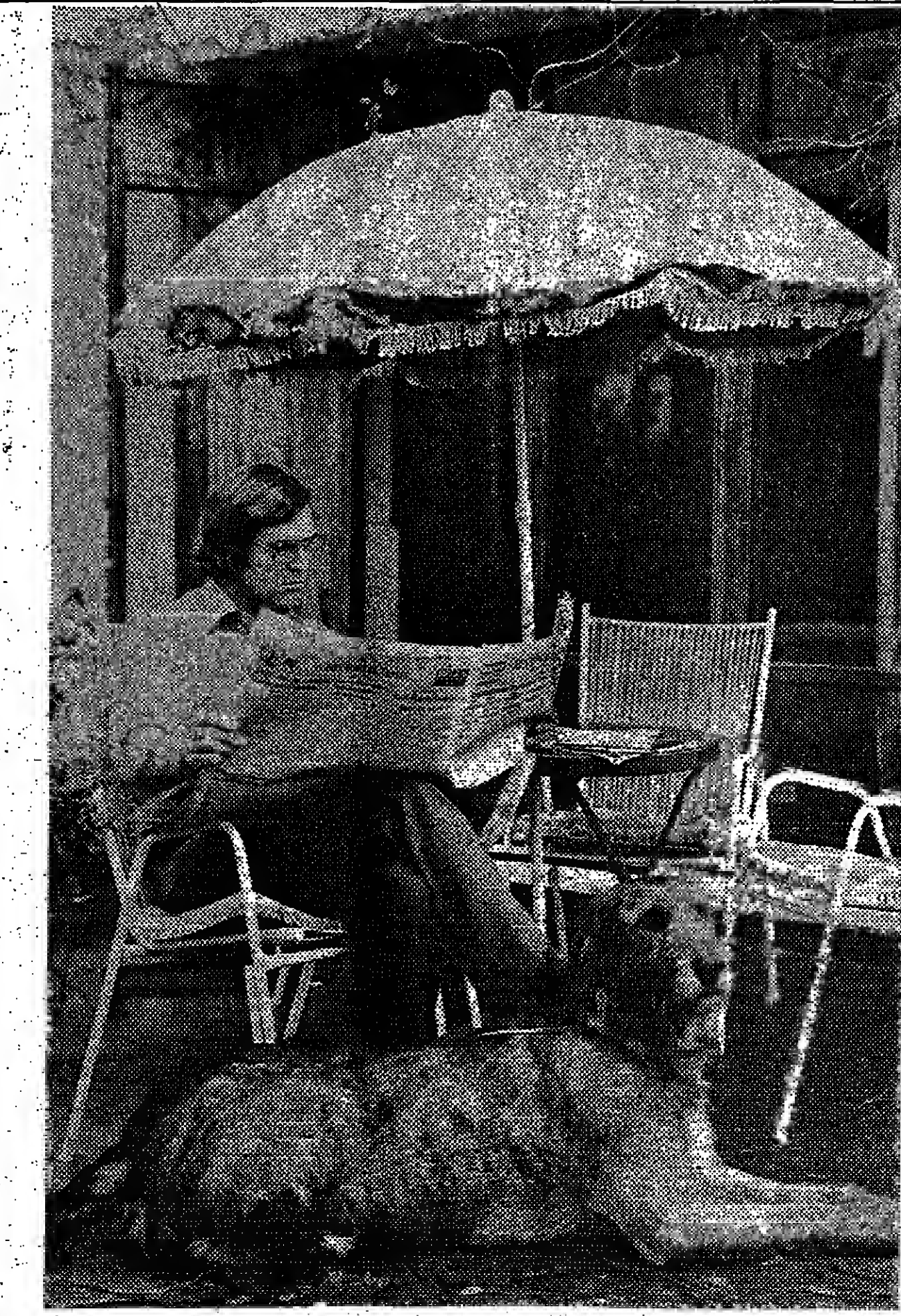
of such vital equipment as well as blow out preventers, block valves and manifolds, to meet the requirements specified by major oil companies.

Stewart and Stevenson was the company responsible for the oil industry's first 3,000 psi accumulator systems in 1957, and since then, Koomey systems, as they are generally known (after their inventor, Paul Koomey) have established a reputation as high quality controls for drilling and completion work. Stewart and Stevenson is the only company in the world producing complete multiplex control systems for production rigs.

Marconi-Elliott, with associated companies in the U.S., Canada and France, is a leader in high safety control systems and other advanced electronics for defence and commercial use. These include failure-survival flight control systems, navigation, communications, instrumentation and data processing systems for use in airborne and land-based environments. Marconi-Elliott has, for the past three years, been building up a sub-sea well-head control system capability with its Instrument Systems Division at Rochester.

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## FINANCIAL TIMES SURVEY

Tuesday May 3 1977

## Word Processing

The savings that can be made through the introduction of word processing systems are now beginning to be appreciated in the U.K. New equipment and steady pressure to reduce costs are helping the concept to gain ground.

## Idea starts to take hold

By Max Wilkinson

NOW THAT the cost of having an ordinary letter typed has risen to about £4 in the U.K. and up to £8 in Europe as a whole, it is surprising that the benefits of automatic typewriters are not being grasped more rapidly.

The vague and slightly off-putting connotations of the term "word processing" may have something to do with initial sales resistance. Some managers fear that it means the replacement of personal contact with a secretary by a robot system; others may still be confused about what, precisely, word processing can do.

Certainly the market for word processors in the U.K. continued to be sluggish during 1976 in spite of the presence of more than 20 companies marketing machines which, at the lower end, are relatively inexpensive. There were, however, some

signs of an upturn reported in the first quarter of 1977.

The basis of word processing is the ability to drive an electric typewriter or printer automatically from a pre-recorded memory. At their simplest, automatic typewriters costing £2,500-£3,000 churn out standard documents or form letters which can be made to appear personal by the addition of names and addresses and any special information by manual operation.

The secretary is thus relieved of the drudgery of lengthy copying, while the employer gains from the greater speed and accuracy of the automatic print-out.

The basic invention of automatic typing has been improved by the addition of sophisticated systems aimed to give the machine access to larger memories and to give the secretary power to edit the text while it is still in electronic form. In all editing systems, the operator types directly into a magnetic memory. The editing is then done either from a rough draft printed automatically or in more expensive systems by changing words and paragraphs thrown up on a television screen or "visual display unit."

In the most advanced systems the basic word processor is linked to a company's computer files. In these cases individual customer's details like insurance premiums or pension rights can be inserted automatically into an otherwise standard letter and printed out at high speed. In such applica-

tions the use of a word processor may merge with that of a computer terminal, especially if a visual display unit is provided to allow the operator to "talk" to the computer in order to locate the correct files in its memory, and switch in a processing programme.

The improvements in productivity to be gained from word processing can be dramatic. One independent bureau calculated, for example, that the cost of producing a series of pro forma letters for one of its customers had been reduced to 18p compared with about £3 each if they had been typed individually. In other applications, like answering mail order queries, the use of standard pre-recorded paragraphs used in different orders to build up a range of letters can increase a typist's productivity tenfold.

## Benefits

More generally, offices could expect to double productivity where the typists' work included a fair proportion of lengthy or repetitious scripts. On the other hand, the benefits of word processing would be marginal in an office where most letters consisted of only a few sentences. International Business Machines, which has about 50 per cent. of the U.K. word processing market, found that the productivity of its own 500 typists was increased by 148 per cent.

As office costs increase, it seems inevitable, therefore,

that demand for word processing equipment will increase rapidly, particularly as the office services are assuming a larger proportion of most companies' costs.

The potential is enormous for at present only about 2 per cent. of the world's 25m. typewriters are automatic. In the U.S., where 350,000 word processing units have been installed, it is estimated that installations could double by 1980. This would represent an annual revenue from rental of about \$350 and a 30 per cent. growth rate per annum.

In the U.K. by contrast it is estimated by brokers Scott Gough and Hancock, that fewer than 10,000 units were installed by the beginning of 1976, representing a total market of some £13m. last year. However, the British are well behind the more advanced countries of Europe in their acceptance of word processing, possibly because labour is relatively cheaper than in, say, Germany or Sweden. Shortages of capital and a general conservatism among British office managers have also been advanced as inhibiting factors.

The largest market for text processing in Europe is Germany which represents 40 per cent. of the total compared with about 17 per cent. for the U.K. and France. In the next decade estimates by consultants Frost and Sullivan put the total sales value of word processing equipment in Europe at £2.5bn, three times the present value.

These estimates may well prove over-optimistic if the economic climate continues to show only a slow improvement. However, it is equally clear that the relative slowness of the British to automate office processes may have serious implications. For office costs represent a significant proportion of the price of many finished goods. In world markets, therefore, U.K. companies will find that the ability to stay competitive will depend increasingly on capital expenditure in the office as well as on production.

Most obviously, the documents can be filed electronically either on discs for the short-term, or on tape in a library. An IBM diskette, for example, can hold about 130 pages of typescript. Larger bulk storage devices can take an almost unlimited amount of information. These files can then be consulted rapidly by using a fast printer or a visual display unit. The savings in office space and manpower can be considerable.

## Output

It is perhaps less obvious that the general competitiveness of U.K. industry will in the long run depend on major improvements in productivity which are now possible in Town and County Hall offices and the big Government bureaucracies. So far local government has shown relatively little interest in word processing, possibly because it has not felt the same pressure to reduce costs as private industry. The widespread introduction of word processing could, however, result in a significant reduction in the office costs which must ultimately be paid from the proceeds of productive industry.

The opportunities for greater efficiency are by no means confined to the speedier production of letters and reports, for the development of word processing is still in its infancy. Once

it becomes common practice to record the output of typists on magnetic memories as well as on paper a large number of possibilities is opened up.

Most obviously, the documents can be filed electronically either on discs for the short-term, or on tape in a library. An IBM diskette, for example, can hold about 130 pages of typescript. Larger bulk storage devices can take an almost unlimited amount of information. These files can then be consulted rapidly by using a fast printer or a visual display unit. The savings in office space and manpower can be considerable.

Word processing equipment will also be linked to telecommunications networks, either through the GPO network or by special cables. These will enable files, contract details, specifications and other information to be switched between offices almost instantaneously. In addition to providing access to large company files, word processors are therefore capable of providing a wide network within and between companies similar to that of the telex.

The rapid reduction of the size and cost of integrated circuits is certain to bring all these developments within the reach of relatively small companies within the next few years. Matchbox computers and shoebox libraries are no longer mere science fiction. It seems plausible, therefore, that automatic typewriters and text processing will one day be accepted

as commonplace pieces of office equipment like the electronic calculator.

It would be wrong, however, to be over-sanguine about the prospect of the word processing industry at a time when nearly half of all typewriters sold in the U.K. are still mechanical rather than electric. It is evident that many offices have a large imaginative as well as financial bridge to cross before they are ready for the technology which is now available.

## Difficulty

One difficulty is that the technology is itself moving at such speed that it is very difficult for many managers to decide what equipment to buy. Electric typewriters and printers, for example, vary in speed from about 15 to 90 characters per second. The decision of whether to buy a machine which prints six times as fast is not governed simply by price: it depends upon many other factors like the volume and type of work and the organisation of the office. Similarly the use of visual display units is being rapidly developed. Some are easier on the eye than others. Newer models allow the operator to "pan" up and down or across a large "document" stored in the memory. When the cost is several thousand pounds per unit the decision may be extremely difficult. It is still a debatable question whether a visual display unit

saves much time. Dataplex, one of the two British companies making word processing, for example, claims that its "hurled keyboard" allows corrections to be made from a draft copy quicker than on most VDUs. The buffered keyboard is simply a device which delays the printer a few lines behind the part which the secretary is actually correcting. In most VDU systems the print-out is delayed until a whole page has been corrected. No general rules can be laid down since a great deal will depend upon the match between a user's requirements and the specification of individual machines.

One further point is that managers need to be clear whether they are seeking to use word processing merely for economy, or to improve the quality of output, or as is most likely, for a combination of both.

In some applications, like the processing of insurance claims, the economy motive will be highest, since many of the letters would have otherwise been typed individually. But for marketing or advertising offices the motive may be mainly to improve quality by sending individually typed letters to customers who would otherwise have received an essentially cheaper printed or duplicated circular. The analysis of cost benefits against the premium for better quality should be an essential preliminary to any purchase of word processing equipment.

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Please arrange for me to see Olivetti's TES 501 system at work.

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## What the international press says:-

**ELECTRONICS NEWS**  
"Wang led a number of companies in introducing CRP-based text editing systems last week, hoping to cut into IBM's domination of the word processing market."

**WORD PROCESSING REPORT**  
"The new market trend in WP typing equipment is the hybrid stand-alone/shared logic system... This seems like a very good idea with a lot of merit. Of the manufacturers which are heading in this direction, Wang seems to have taken the lead... Wang had the most impressive product introduction."

"Wang's Word Processor 20 and 30 are diskette-based systems which offer modularity, expansion, performance, and pricing advantages never before available from a WP manufacturer. This is no idle boast, and probably has more validity than we are accustomed to most such boasts having."

**WANG**

The last word in word processing

## WORD PROCESSING II

# Weighing up the pros and cons

COINED BY IBM some years ago to describe the functions of a group of its office products, including electric typewriters with some logic and magnetic memory, the expression word processing now applies to very many more methods of handling the production of texts. Some are suitable for the average businessman, others are clearly applicable only to the largest companies, or to those who—like publishers and legal firms—demand of their equipment not just the ability to produce standard letters, but to handle long texts with very fast retrieval of any passage under discussion.

As in many areas involving advanced electronics, the word processing market has been undergoing rapid changes, particularly since large-scale integrated circuits, of which microcomputers are a subset, have come down to a few pounds per device. Large-scale in this context is a particularly misleading term since one of the latest and most powerful micros is only 34 square millimetres in area, yet contains 10,000 transistors.

It is fairly easy to determine what the best choice will be when an office is engaged in a relatively limited variety of jobs. But when the company is so organised that the central services have to deal with the mass of correspondence containing comparatively short letters as well as major, lengthy documents, like contracts, selection becomes more difficult. However, there are two considerations that should override every other in deliberations about what to select. One is the somewhat cynical remark made by a word processing expert who came into the business from the computing side, to the effect that when a salesman offers an improvement in throughput in an office of about 300 per cent., it is generally possible, through a better organisation of work flow and an examination of costing and priorities, to achieve at least 200 per cent. improvement. The second is that many who have entered the word processing business are too concerned with technology, whereas they are still in a "glossy" business. Some will quarrel with the latter claim, but it has more than a grain of truth in it, particularly if it is interpreted as meaning that good support is more important than clever engineering.

## Controllers

Be that as it may, it means that the controllers for the great majority of the most advanced word processors can now fit into a medium-sized cigar box. So far as most users are concerned, the controllers remain black boxes and the operators neither know nor care how they achieve their results but only how well they and the equipment they drive work.

But buyers of equipment or services have to discriminate, or find that their choice is not only wrong but downright wasteful of time and more costly than a non-automated solution. And at first sight there is a bewildering array of solutions to select from. They cover the whole gamut from the typewriters equipped with electronic memory, magnetic cards, tape cartridges, magnetic discs, single machines or clusters run by a microcomputer or a micro,

in-house time-shared and commercial bureau time-shared; the computer-driven equipment being used with an interactive TV type display.

It is fairly easy to determine what the best choice will be when an office is engaged in a relatively limited variety of jobs. But when the company is so organised that the central services have to deal with the mass of correspondence containing comparatively short letters as well as major, lengthy documents, like contracts, selection becomes more difficult. However, there are two considerations that should override every other in deliberations about what to select. One is the somewhat cynical remark made by a word processing expert who came into the business from the computing side, to the effect that when a salesman offers an improvement in throughput in an office of about 300 per cent., it is generally possible, through a better organisation of work flow and an examination of costing and priorities, to achieve at least 200 per cent. improvement. The second is that many who have entered the word processing business are too concerned with technology, whereas they are still in a "glossy" business. Some will quarrel with the latter claim, but it has more than a grain of truth in it, particularly if it is interpreted as meaning that good support is more important than clever engineering.

## Displays

Such equipment can be mini- or micro-driven and would be used with a display and keyboard to make sure that primary input is accurate. This is a much faster way of operating than having the primary text typed out again for correction.

Such equipment, provided with the extremely fast daisy wheel printing heads pioneered by Qume, can be used to store many standard letters and forms and is seen by builders like Monotype as an excellent answer to one of the problems of the emergent nations, which need to spread technology information very quickly. Monotype has carried out a great deal of work on providing the appropriate keyboards and operating procedures for alphabets of many kinds, printing in several directions.

This company has also suggested that international groups would do well to maintain libraries of standard letters in several languages, so that office staff, not particularly conversant in one or other tongue, be used in a particular campaign, could nevertheless see to it that the flow of correspondence was not interrupted.

Where a company needs to have many standard letters on

tap and to produce long reports liable to a large number of amendments, such equipment is invaluable, though a case can be made for magnetic tape and cartridge units when speed is not vital.

Also to be considered is a choice of a shared system in which a "general purpose" central machine is used to provide storage and instructions for automated typing, either under the control of the company or of a service bureau offering shared time.

The general area of application of such a solution appears to be where several authors are turning out lengthy manuals or reports. Whether this solution will be supplanted by the local mini or micro-driven unit remains to be seen. The problem has a great deal in common with computerised typesetting about which a great deal is known outside Britain.

For the average small to medium business office in large cities, one more point needs to be remembered. According to Philips, one-third of the U.K. working population is now employed in offices. But per capita investment in equipment there is £500 against £5,000 in general industry. If the present upward trend in the white collar population continues and city centre costs continue to rocket, then it is worth getting the standard letter—now costing at least £2, whatever its length—absolutely right first time round.

Latecomer in word processing, with five years' development behind it, the Sindhoven giant could well take over where lesser fry fail. This is not an enviable position to be in since the previously uninitiated have suddenly become over-critical. But if marketing ability is the final solution to word processing, then Philips may well be the only European left in the four world companies who are expected to dominate the word processing market in the next five to ten years.

Ted Schoeters

# Typing and copying

IN LAST November's American presidential elections the television debates between Gerald Ford and Jimmy Carter were captured on word processing equipment and transcripts were available to the news media and the public within two hours of each debate.

The word processing concept is supposed to have been originated in Germany by IBM. But it has grown and developed in the U.S. where market penetration is already quite deep, after only 15 years. To-day, word processors, or automatic typewriters as they are sometimes called, are already outstripping electric typewriters in the U.S. The whole society has been permeated with word processing so it is not surprising that the main political event of an American election should be the subject of a WP exercise.

The exercise is a classic example of how to combine centralised dictating equipment with electronic typewriters that capture texts and then reproduce them automatically after editing.

Although IBM has by far the largest share of the WP market in the U.S., it was not IBM equipment that was used in this particular exercise. The transcripts were made by the National Business Intelligence Corporation using its *Shinktype* system which combines a Vydex word processing hardware and Dictaphone endless loop tape recorder transmitters.

As described in the U.S. magazine "The Office," the television networks transmitted each debate over telephone lines to NBI headquarters. Each debate was divided into four sections and recorded on different dictating machines. The four tapes were then transcribed using earphones by operators who began transcribing the second section while the first one was being printed on the Vydex WP machines.

Four editorial teams checked the output for spelling, and punctuation and reviewed the transcript on a CRT display terminal. The revised draft was sent by courier to an outside printer for offset printing; and binding. The transcripts were done with 98 per cent. accuracy at great speed and are admissible as legal documents in the U.S.

The speed of operation (two hours) compares with the day and a half required to transcribe the 1960 Kennedy-Nixon news correspondence. Dictation debates when WP was not used,

This exercise shows what can be done using modern systems. Indeed the WP configuration could have been extended to include duplicating and thus avoided the need to use an outside printer. For example, it could theoretically have been possible to have set up an instant print shop using a Xerox 9200 Duplicating System and have got the same effect.

The combination of WP typewriters, dictating equipment and copiers or duplicating machines is not unique and is being used increasingly in many large organisations throughout the world. It is certainly not unique to large American organisations which are generally the biggest users of such configurations.

But it is not only large organisations that can use such systems productively. Shared logic can be used—that is, where one central processor feeds a number of typing stations. This type of system can be used effectively for large volumes of work because the cost per unit or per station is reduced. But for smaller organisations single stations can be used just as effectively for smaller volumes of work. And it is the single station machines (that is, each having its own processor attached to the typing station) that makes up the bulk of the WP market in the U.S. as much as in Britain.

## Centralised

If, say, a Xerox 800 Editing Typewriter is used (or an IBM MC 82 or any number of WP single station systems available in the U.K. market) in conjunction with centralised dictation systems and suitable copying facilities, the operation might look something like this: the texts are captured on the dictating equipment either from within the office (on desk top machines or machines linked to an internal telephone network that go straight into the central bank of receivers) or from outside (over the telephone line into the central bank, or by staff carrying portable units and sending the cassette tapes into the office).

This is the input and is normally far more efficient than the one-to-one system employed by British executives who generally prefer to have a real live secretary sitting opposite them while they dictate their business correspondence. Dictation on a machine can be done at any

time in or outside the office and thus lead to better use of time. (On the basis that executives who make best use of their time reach the top quicker, it should not really be surprising that the man in the train dictating into a machine normally sits in First Class—or the car passenger dictating into a machine normally sits at the back of a Rolls-Royce).

Of course, dictating machines are not always satisfactory for secretaries, who often become simply audio typists sitting in a centralised pool and transcribing the texts. Some girls actually do prefer this type of mundane work, but for those who prefer variety and responsibility, some job rotation should be introduced or, at least, a ladder of career progression clearly indicated. In some organisations, incentives are linked to output. Otherwise the potential of improved office productivity will be lost by unmotivated staff.

If dictating equipment is the input, WP typewriters are the output.

First, the text is transcribed by the girls on to the typewriters and automatically captured both on the paper (or screen, depending on type of system used) and on the magnetic storage, which can be cards or discs or a small computer.

Certain prepared paragraphs or whole letters can be nominated according to the skills of the dictator and the library of prepared texts. Thus a dictator might simply say, "Now use letter 'A' to send to Mr. Smith but add the following sentences..." Letter "A" will already be in her WP machine and all she does is press a button.

If she makes any mistakes in transcription, all she does is overwrite with the correct information. When editing or re-drafting has been completed in turn by both dictator and transcriber, the letter is printed automatically by the machine, because it is already recorded on the magnetic media.

If further copies are required, the WP machine can type them out, unattended. Or the organisation can switch to copiers or duplicating systems and can even complete the system by having an automated mail room operation at the end of the line. The possibilities are almost unlimited.

This idea of a compact and self-sufficient configuration has

not yet taken root in the U.K. But now that the office sector is beginning to come out of the recession and starting to spend money on equipment, it may take on very quickly. As any equipment company can show, the figures make sense and savings in overheads are easy to make. The main traps are with people and it is essential to match the equipment with the right staff—people who are willing to learn new methods can get some degree of job satisfaction and financial reward by adapting to new work routines.

There is little doubt that Britain's most efficient offices will be adopting these configurations in the years ahead. So it is no surprise that some of the biggest companies in the office equipment field have started to provide the necessary machines.

## Launched

IBM was the first to offer dictating machines and copiers alongside its WP systems. Xerox now offers its WP systems alongside its copiers and duplicating systems. Philips, the leading company in dictating equipment in the U.K., recently launched its WP system. Leading U.S. manufacturers of sophisticated dictating systems such as Dictaphone and Lanier are already in the U.K. market. Olympia offers both dictating equipment and WP machines. And Assmann sells centralised dictating systems alongside the Redatron WP systems from Business Data Products, now part of the Hill Group.

But the severe drop in the market last year had its casualties, too.

Agovox, the last of the U.K. manufacturers of centralised systems, ceased selling dictating systems in 1976 and has decided instead to concentrate on its success with telephone answering machines.

This happened after a market drop of nearly a quarter in U.K. installations from the 1975 level and an even greater fall in installations of recorders. Even desk-top machines suffered, although sales here were higher than in 1975, they were well below the peak figure of 75,000 units in 1973. Only portable units set a new record, with sales of 77,000 units in 1976. So the message has got through to some users. But this year could begin to see a meaningful recovery in the market.

Roy Levine

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July 10 1977



# WORD PROCESSING III

## The challenge to IBM

THE word processing market is beginning to move out of the recession, and at a faster rate than the U.K. economy in general. After three years of steadily declining sales—but rising competition, with new entrants every few months—demand is at last increasing, marked by higher sales for each of the past two quarters.

In general, the number of installations has probably risen by a full quarter. But some of the leading manufacturers boast increases of 50 per cent. and more. IBM, the biggest in the market (with just under 50 per cent. of the total installed base of some 7,000 installations), reckons its sales rate has more than doubled and figures for all WP products, including the new Office System 6, are above target.

### Reason

This is one reason why interest in this month's National Word Processing Exhibition and Seminar at the Cunard Hotel in London should be at a much higher level than last year's maiden event. The fact that this exhibition, which is attracting most of the leaders in the market, is the only specialised event of its kind outside the U.S., the world's leading WP market, signifies growing interest in the U.K. The U.K. is increasingly becoming the centre point of many U.S.-based companies for expansion into Europe. But there are also more fundamental reasons why the U.K. is potentially one of the biggest markets outside of the U.S.

Only a few years ago, a market survey in Europe showed that whereas virtually everyone who worked in offices in Germany knew something about word processing, the degree of awareness in the U.K. was paltry. It was estimated that only about 12 per cent. of office staff in the U.K. had some knowledge of word processing. Given the enormous effort by the equipment companies over the past few years to educate people concerned with office administration, this awareness has increased and it is IBM's guess that about a quarter of office staff now at least know of the existence of word processing.

This consciousness has grown not only out of the large amount of advertising and promotion done in the U.K., but also from fundamental factors such as the accelerating costs of office staff and consumables. The costs savings benefit of WP is still the most attractive feature and at the heart of the selling message, despite the normal corollary that it can involve making staff redundancies, or at least help put a stop to employing more staff to cope with additional work loads.

Organisations are beginning to gain confidence in the kind of arithmetic that the equipment companies have been bandying around for a number of years. Figures can show cost savings of 50-100 per cent. and in some cases even higher. Typing pools in some of the nationalised industries have managed to increase their work load while cutting the typing pool by half by natural wastage after installing only a handful of WP machines. On the basis that one can save the cost of a typist with each WP machine installed, the investment will pay for itself within two years. Most organisations handle the situation through staff wastage rather than creating immediate redundancies, although given the relatively low proportion of unionisation in the white collar sector, the problem is not as acute as in industry. At least, into Europe. But there are also more fundamental reasons why the U.K. is potentially one of the biggest markets outside of the U.S.

The positive side of the coin for employees is that as WP becomes more widely used, a new category of special skills is being created. The special skills that are accumulated using WP machines (although in most cases after only a few days training) can improve job satisfaction, although this is not always the case and is one reason why the take-off has been so relatively slack in the U.K. Some organisations have already created special grades for WP operators. There is indeed concern that implementation of WP systems should be done with full staff approval and in a way that maximises

job reward, both in terms of pay and job satisfaction.

Given these caveats, the potential growth in the U.K. is enormous. For a start, the white collar sector is growing fast, as the economy develops. It seems to be an economic fact that the wealthiest and most developed countries have the highest proportion of workers in the office or service sectors. The U.K. proportion of a third is about the same as in Germany and a good way below the 40 per cent. of North America and Sweden. But the steady rise should ensure a growing market place. As in most other sectors of the U.K. economy, many organisations are still overmanned despite current levels of unemployment. So it is only by using the right kind of equipment that productivity can be improved.

This thought has not yet permeated top management in U.K. business, at least as far as the office is concerned. It is estimated that the £500 spent on equipment per office worker a year is only a tenth of the amount spent in industry. One reason for this is perhaps the unhappy thought that U.K. office staff are among the lowest paid in Europe and therefore the potential savings from equipment that basically costs the same is less. This might explain why WP has reached a far deeper level of penetration in Germany where secretaries are paid about double their U.K. counterparts.

Even if this disparity is not corrected, there are sound reasons for believing the U.K. market will grow apace. There is a clear need to reduce unit costs in the office and to streamline operations. This cannot be done without the proper hardware, and organisations are increasingly willing to adopt the modern techniques of handling the enormous paper flow. It is this willingness that is now beginning to be reflected in the improved sales trends.

Various estimates have been made of the growth potential of WP in Europe, and they basically follow the patterns already established in the U.S., where demand has mushroomed to the point where sales this year are expected to approach the \$1bn. mark. According to a study by Frost and Sullivan, the WP

market in Western Europe will treble to reach a total of £2.5m. over the next 10 years. An even higher figure was postulated for an earlier date by Quantum Science Corporation. Of course, if we go back even three years, before the recession started, there are figures which show that the market to-day should have been several times larger than it actually is. But leaving actual figures aside, it seems certain that there will be a dynamic growth in the WP market, albeit from quite a low base.

IBM's share may well drop, and the giant already admits to some pressure and probably brought forward its launch plans for the Office System 6 as a

result of burgeoning competition in a declining market. But its force in the market is clearly entrenched and it will hold a strong lead for a long time to come. IBM enjoyed, perhaps a quarter of 1976 sales and this is several points higher than its nearest competitor, Kalle Infotec. But Kalle is basically a one product company and cannot hope to hold onto its second place, efficient though its new marketing arrangement may be. In January the WP sales force was hived off under a different company, Dataword Equipment, run by Kalle's WP manager.

Rank Xerox comes next in the league table and is likely to retain its market position given

its enormous resources and technological ability. Olivetti's new WP systems are likely to push this leading European manufacturer into a stronger position and increase its market share, probably into double figures.

WP has a relatively long sales time and required substantial back up to servicing, training and often close client liaison. So the big companies are likely to move into front positions in the next few years.

One of the key developments will be the role that government plays in developing the market. To date, most government departments have shown a reluctance to get heavily involved in WP and several studies have not given very positive stimulus to buying departments. The industry feels that the wrong criteria have been used to evaluate WP and also that further direction is required from the top.

Roy Levine

electronic medium. The key to really high transmission speeds is to encode the written word into digital form, the basic electronic language used in computers. This is already the method which word processing machines use to store information and to communicate with each other in offices where several units are linked together or connected to a computer.

It will be a relatively simple step to connect word processors in one office with those in another through the ordinary telephone network as soon as suitable equipment is available. Some such connections are already operating. The widespread availability of this service will depend on some fairly expensive improvements of the Post Office network, but the theoretical knowledge of how to make them is already available and their implementation is only a matter of time.

The advantage of using word processing machines for inter-office communication will be apparent when the basic equipment is more widely used than at present. When this happens messages will be able to be sent direct from the secretary's machine without the need to rekey it onto the Telex machine or consign a paper copy to the vagaries of the mail.

Initially this sort of communication will be most used between different branches or offices in the same firm, and it will be particularly economical where a network linking computers for data transmission already exists. The growing tendency to move from centralised data processing to distributed network systems linking small computers will stimulate this form of electronic mail, and, indeed, it is already beginning to do so.

Much of the information transmitted on large companies' data processing networks is already in the form of written words. It is quite feasible to use the networks to link the specialised micro-computers which prepare, store and audit letters and documents.

The enormous advantage of this type of electronic mail is that the speed of transmission is not linked, as it is with the traditional Telex, to the mechanical speed of the printer. It is certainly possible to link word processors in such a way that the lines are live for the whole time in which the printer or typewriter is reproducing the message. For short letters, such

an "on line" link may be suitable, particularly if the printer is one of the faster models like the new IBM ink jet capable of 90 characters per second.

But for longer messages, or over long distances, where the wire charges are important, the information can be sent down the wire at electronic speeds from one magnetic or computer store to another. The printer at the other end could then type out the message automatically "at leisure."

Mackintosh Consultants, which is projecting a major international study on the potential of electronic mail, estimates the speed of transmission could be about 150 characters a second. There is no doubt, however, that this speed could be greatly exceeded, given transmission links of adequate bandwidth. However, even at this speed, Mackintosh estimates the transmission cost of sending a page of text from London to Edinburgh would be only an eighth of the cost of postage. The transmission time would be cut from one or two days to only 17 seconds. The transmission cost of sending a page to Paris would be only a quarter of the postal charge.

### Savings

These savings, naturally, have to be set against the extra capital cost of the word processing equipment and the necessary interfaces with transmission lines. However, it is already clear that electronic mail is competitive with conventional methods in some applications, particularly where speed is at a premium. The increasing use of satellites to link computer networks and the falling cost of electronic equipment will rapidly widen the range of possible applications.

Clearly electronic mail will not be available for ordinary households unless the costs of equipment should fall by several orders of magnitude. It is now estimated that about 70 per cent. of mail flows between individuals or between businesses and individuals.

However, that leaves some 30 per cent. of mail between businesses or government offices which is a potential market for electronic mail. As postal charges go up, the idea is bound to become more and more attractive, and to exert a strong pull on the demand for ordinary word processors.

Max Wilkinson

## Cutting out the letter

POSTAL COSTS are continually increasing throughout the world. At the same time the service is deteriorating and is likely to do so as long as the volume of traffic and labour costs both rise.

Even systems like automatic sorting are unlikely to have a big effect on the upward trend in prices. It is obvious, therefore, that businessmen will increasingly look for some radical alternative to the conventional letter service. It must be cheaper, faster, and above all, it must be capable of delivering a printed copy on to the desk of the correspondent at least on the day after the message was written.

The technology for such a service already exists. It has been called "electronic mail." Its main advantage over the conventional letter is that the trend of costs is likely to be downwards and the speed of delivery will increase, at least for several years.

Electronic mail is a new term which covers a number of de-

vices, some of which, like the Telex network, are already familiar in most large to medium sized offices. A newer competitor is the facsimile transmission system or "fax." These machines are like electrostatic copiers coupled through suitable electronic systems and an ordinary telephone wire. A copy is placed on one machine while the operator dials up a remote machine on the telephone. The image is then transmitted electronically down the telephone wire to be reproduced on a machine in the recipient's office.

Although "fax" is quickly gaining in popularity, the system suffers from several inherent disadvantages. The first is that machines from different makes are not compatible. An office with a Kalle Infotec machine cannot, for example, transmit to a user of a Xerox machine. The other disadvantage is the relatively slow speed of transmission. A page of typescript takes anything from

two to nine minutes in transit depending on the system and the definition required. This time has to be paid for at normal telephone rates. The system is therefore not competitive with ordinary mail over long distances unless the time factor is important. Its main application in the U.K. has been in such applications as communication between printers and magazines, where fast return of corrected proofs and copy is needed.

Even Telex suffers the disadvantage that users must pay for the use of wires for the whole of the time that a message is being transmitted. The speed of transmission has been increased by driving the machine from a punched paper tape. The tape is made at a normal typing speed, then run through the machine at higher speed to save wire charges. Even so, the speed of communication is very slow compared with what is now theoretically available in an

electronic medium. The key to really high transmission speeds is to encode the written word into digital form, the basic electronic language used in computers. This is already the method which word processing machines use to store information and to communicate with each other in offices where several units are linked together or connected to a computer.

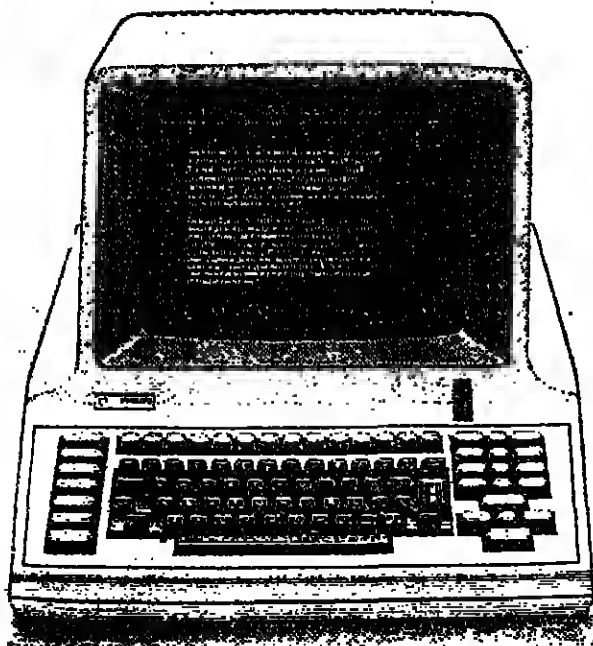
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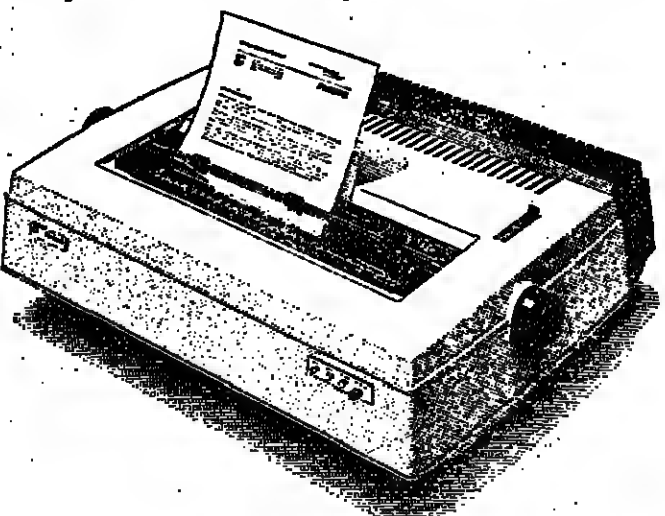
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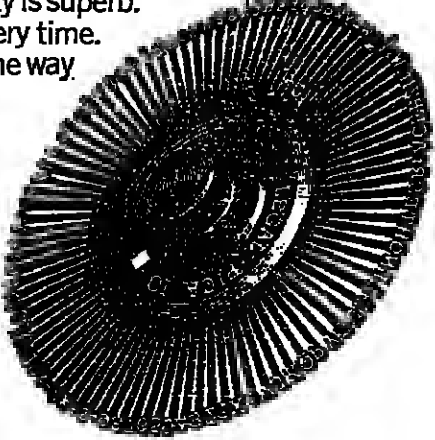
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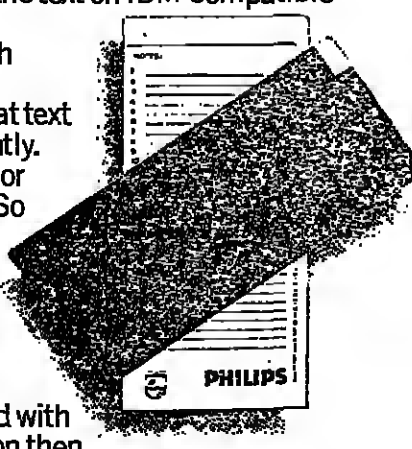
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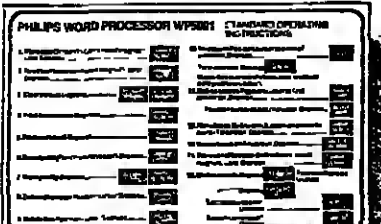
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## WORD PROCESSING IV

## New range of uses

IT HAS BEEN said that the word processing is a wonderful invention looking for a use. There is some truth in this, for it evolved from the very different field of computer processing of numerical data such as accounts.

Once it was realised that the digital pulses used to encode figures in a computer could also be used for storing letters, words and sentences, the way was opened for powered typing. This development has brought word processing in a few years from being mainly an aid to typists to a stage where fully computerised letter writing is an economic proposition even for the medium sized business.

The rapid advances in technology make it likely that selling companies will have a continuous job thinking up new applications for years to come. This is partly because many of the greatest potential savings will come from using equipment linked to a relatively powerful office computer. This is because the work done by the simpler word processing machines over-comes what can be produced more cheaply by duplicating and printing. This overlap is becoming more marked as the quality of duplication improves.

It is, for example, possible to produce standard pro forma letters on a good duplicator or plain paper copier which look similar to an original typed copy. If the same typewriter is used to insert the customer's name and address a very presentable "personalised" letter results.

## Quality

A word processor will do this same job slightly better because each letter is a genuine top copy with no disparity at all between the typing of the name and the rest of the letter. The improvement in quality may not in itself be thought to justify the extra cost and the slower output. Even where the standard letter has to include alternatives like "his/her" the user may still not be convinced that a word processor has sufficient advantage. On the other hand, it has been found that customers' response to direct mail letters improves between 4 per cent and 16 per cent if the letter is typed rather than printed or duplicated. The equipment only starts to show its decisive advantage when it comes to letters which have a large standard section but must include some special details related to the particular client or customer. The house agent's letter accepting an offer, or many lawyers' contracts are examples. Special libraries of pre-recorded texts already exist for such purposes.

These sorts of applications are particularly appropriate for machines which use a magnetic tape to store the standard text. Such cards can be filed, with printed copies if necessary, in the conventional cabinet, so that the system creates the minimum disruption to the normal office routines. Magnetic tape will have in look through his type or discs can, of course, be used as well.

While these cards can also be used for the more complex job of text editing, it seems likely that magnetic disc storage will become standard on equipment used for this purpose. On a small disc access to any part of over 100 pages can be made almost instantaneously. This makes the system ideal for processing lengthy reports and council or union minutes where a great deal of revision may be necessary. Even after the most drastic revisions, it is estimated that some 50 per cent of the original text remains. Even in the worst case, therefore, the machine will save half of the re-typing that would otherwise be necessary.

Mackintosh Consultants say in their study on word processing that the average typist makes a mistake every 150 key strokes and the subsequent correction takes a minute. When all mistakes and revisions are taken into account, it is estimated that on average every letter is typed twice. Text editing systems cut out a great part of this waste.

Another use for magnetic disc storage is programmed or composite letters which are rapidly gaining popularity. Such letters depend on the fact that even non-standard business letters or documents make use of many sentences or paragraphs which are frequently repeated, acknowledging receipt of an item, promising despatch, thanking for interest or drawing attention to a range of goods or services are all examples. In such cases the typist can deal with a large range of inquiries simply by calling up pre-drafted replies from the disc. Different discs or tapes would clearly be used for different ranges of work. It is estimated that 60 per cent of correspondence is capable of being programmed in this way.

However, it is worth remembering that in all cases where a typist is handling an executive's original work, the productivity of any word processing system must be limited by the typists' input speed. It is therefore self-defeating to buy expensive word processing equipment if executives are producing substantial texts in longhand. Even shorthand dictation is slow compared with dictation systems, and dictation systems can themselves be made more efficient if executives are trained to use them properly.

Probably the greatest gains from word processing will, however, result from linkage to the office computers which are increasingly being used for producing accounts and other records. The computer is being asked to do some of the thinking as well as the routine operations previously performed by clerks and typists. Estate agencies provide an example: for if a customer requires a particular sort of house in a particular location in a minimum disruption to the general price bracket, the agent's normal office routines. Magnetic tape will have in look through his type or discs can, of course, be used as well.

A relatively simple office computer could do this for him. The linking of data from different offices could indeed provide a much more comprehensive service—even, conceivably, a list of all suitable houses on sale in the British Isles. It would be a simple step to connect this computer to a word processor which can quickly type up the details of a particular customer is likely to be interested in.

The word processor can, similarly, be connected to a computer for printing out time-tables, internal telephone directories, inventory lists, price lists and other information which may be frequently changing. In short the word processor can become a computer terminal with the special facilities needed for processing information which is largely written rather than numerical.

## Advantage

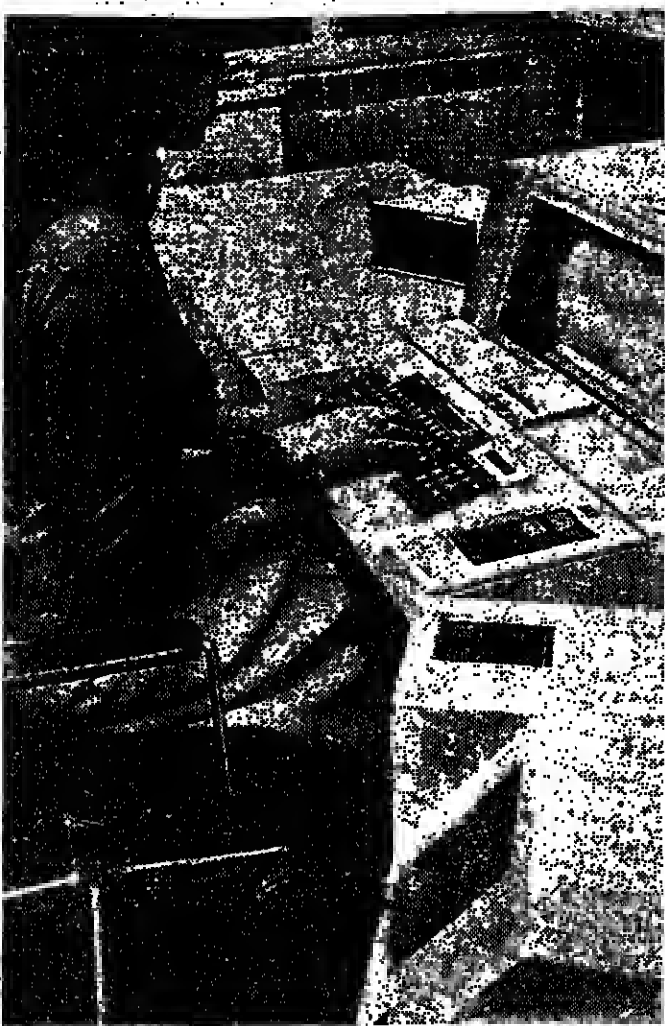
The linking of word processors to computer stores will provide more and more offices with the incentive to change from traditional filing and information systems. In large organisations magnetic files are already proving to be more efficient and cheaper.

The advantage is that letters typed out for customers, can often provide information for the files without the need for any extra operations. Sales ledgers and stock lists can automatically be updated before a copy of the letter is itself filed in a magnetic store. The advantage can be double-edged, for if the files are kept on magnetic media any parts of a letter which incorporate material from the files can be typed automatically. It is likely that libraries, travel agents, stockbrokers and other organisations which make frequent reference to files will increasingly benefit from these possibilities.

However, users and manufacturers need to bear in mind an important caution. There are some aspects of word processing which are ethically questionable, for although computers can simulate human communication, there are some occasions when they should not be allowed to do so. Word processors are already being used by some large organisations to compile answers to letters of complaint from a series of pre-recorded paragraphs. It may be argued that many replies to complaints, like acknowledgments or promises of further investigation, represent a mere routine which can be computerised.

But such is the power of even quite small computers that, once started, it is difficult to be sure where that argument will stop. The fact is a letter of complaint is an attempt at personal communication with a person or organisation. And there is a good case for arguing that, except in trivial cases, it should be answered personally. This is just one example of the vigilance needed to ensure that word processors do not undermine human contacts between people in large organisations and the outside world.

Max Wilkinson



The IBM Word Processor/32 which automates many jobs often done manually on a typewriter.

## Replacing the secretary

THE SUCCESS or failure of any plan to introduce word processing into an office will depend to a great extent on the attitudes which secretaries and typists develop toward the equipment. The bland assertions of manufacturers that their equipment makes a secretary's life more enjoyable needs to be examined critically in the light of the whole office organisation.

It is certainly true that automatic typewriters can relieve operators of the chore of repetitive work. It is also true that editing facilities allow them to produce a perfect copy without time-consuming re-typing of drafts to correct the errors made by the boss. There is quite a lot of evidence that secretaries do gain satisfaction from this ability to produce higher quality work for less effort.

But there are inherent problems of integrating word processors into an otherwise traditional office which need to be recognised at an early stage. The most obvious is the problem of redundancy which may follow any system which uses capital to increase efficiency. Even in an expanding office, careful thought will be needed to ensure that the extra capacity provided by word processors does not strip the work load by too great a margin. If it does, some secretaries may have too little to do and become bored and restless. If too many people become idle because it appears that a machine is doing their job better than they can, morale is likely to suffer.

Does the purchase of a powered typewriter give a secretary more time to be a personal assistant and to take on some of the responsible jobs which her boss would otherwise have done? Or will it mean that she has the time to look after two bosses instead of one?

These questions raise the old issues of whether individual executives really need personal secretarial servants in a more acute form than ever before. For the small office computer can already perform many of the functions for which the old-fashioned secretary used to be considered essential: filing, personal memoranda, data retrieval, communication and even keeping an engagement diary can all be wholly or partly automated, and the list of electronic aids is certain to increase.

## Decision

On the other hand, a decision to bring in word processors gradually can have its problems too. Suppose one word processor is introduced into a small office or section of a company where, say, six secretaries are working. Inevitably, the office manager will be under pressure to use the capital locked up in the machine to the "best advantage" by giving it to the routine and repetitive tasks previously distributed among the six secretaries. Otherwise the machine would be idle for too much of the day, or employed on tasks, like short individual letters, for which it cannot produce great cost benefit. But, rational as it may appear from the finance director's point of view, this scheme of work will create a low-grade, possibly unsatisfying job.

The girl allocated to the word processing machine will find she is not only given the most boring jobs, but her skill in executing them is downgraded. Meanwhile, the other secretaries who have been relieved of their share of the typing chores, may not necessarily be using the extra time in a cost-effective way. This example is perhaps a little extreme, but it illustrates the general dilemma faced by office managers when deciding what word processing equipment to buy. Should they go

A COMPUTER consultant well known in Europe through his work on systems design and analysis in one of the companies connected with the Diebold organisation and who now has set up his own consulting group—Butler, Cox and Partners—sees in word processing the birth of a new industry formed from an amalgamation of three existing and fast developing industries—computing, communications and office automation.

David Butler, predicting for the fledgling a growth to vast volume and pervasive effects in other branches of industry as well as business and Government, bases his views on the entry several years ago into the telephone exchange market of that branch of industry or, equally important, of the art of negotiating with the PTTs.

To-day, with IBM's associate company Satellite Business Systems preparing to test transactions between computers at large IBM centres in the U.S., using a satellite as the communications hub and 250 of IBM's electronic exchanges installed or on order in Europe alone, the competition, says Butler, is wearing a worried frown.

He sees in this a move towards becoming the world's first, largest and possibly only

supplier of total systems for the production and processing of information, both in text and in numeric form.

In other words, the aim attributed to the company is to move to a position from which it will be able to say to customers: "We will look at what your organisation needs, worldwide, to conduct day to day operations in its offices, factories, workshops, depots and even retail outlets and provide all the computing and communications required to keep local and international management continually abreast of the functioning of the entire network of companies within the group, wherever they may be."

This may sound fanciful and, since SBS has formally stated that it has no plans to move outside the U.S., a trifle unrealistic. But many observers believe this to be the pattern for the future and the telecommunications companies have been bringing out, one after the other, electronic PABX units to vie with IBM.

## Announcement

What this has to do with word processing is implicit in the February announcement by IBM of new office computer equipment—System 6—and its Word Processing 32, and indications in late 1976 that the company was putting its massive research effort behind a fast, simple facsimile machine which would transmit at up to 50 times the speeds now possible.

From this device to an electronic mail service via the common carriers on wire and, by satellite is only a short step and immediately any move to establish such a service takes place in America—where the postal services are as bad if not worse than in Europe—there will be immense pressure from businesses within the EEC for a parallel programme in Europe. It takes about an hour to fly from Heathrow to Charles de Gaulle. It can take ten days for a letter to come from Paris to London.

Already Citibank in the U.S. has bought 200 Level 4 mini-computers from Honeywell which to base a word processing network linking its major centres around the world. The bank is doing its own development with word-processing software written by Base Information Systems, incidentally for a Honeywell Level 6 with a Hewlett-Packard display and keyboard and a Diablo printer. Meanwhile, Honeywell itself is thinking along word processing lines with the intention of developing equipment that will have the capability of being linked into large central processors.

In Britain, the £700m. Bradford and Bingley building society has just spent £55,000 on a Wang Electronics 30WP network which will have up to 14 work stations and printers

and take over from a series of automatic typewriters used, so far, to produce personalised letters.

To start with the WP 30 will be turning out 85,000 lines of copy a week from standardised letters, plus 14,000 lines of original work as well as editing, storing and updating reports. Similar decisions are being taken by large companies in many countries and against a background of spiralling communications costs, and poorer services. The scene is being set for the IBM bid described above. And if competitors on the computer side or the telecommunications side wish to be able to match the range of services which IBM is expected to offer, they will have to move quickly and in concert, not only between themselves, but also with the PTTs—which will probably be the more difficult task.

Whether or not international companies will be prepared to give hostages to fortune by placing the whole of their data processing and communications activities in the hands of one giant supplier whom they can not hope to coerce should they be dissatisfied is a matter for conjecture. But the sheer cost of continuing to operate in the old way may well drive them into new technology.

The latest developments in text processing are all pushing towards the total solution since the micro-computer based installation enables quite small users to reap the benefit of display working for accuracy, large-capacity storage and ability to record a mass of control features.

It looks almost as if, at last, IBM is using its technological muscle to judge things its way. For instance, a few months ago it disclosed that patents had been sought and granted on a magnetic bubble memory which, in a device about the size of a florin, will store enough information to drive an automatic typewriter. A little later, the company made public that it had been doing on ink jet printing, a method which dispenses with the complexities of mechanically transporting an inked ribbon across a printing mechanism and replaces them with the complexities of spraying fine droplets of ink from a head and guiding them into the correct shape to form a letter by electrical fields.

This ink jet printer made its appearance in the Series 6/VP32, launch mentioned above.

If, as some observers believe, IBM is beginning to use the technology it has accumulated during the past five years at an expenditure of, say, \$50a to harass the competition, apart from out-marketing it, then we are all in for a lively time.

Ted Schoeters

## UNICOM

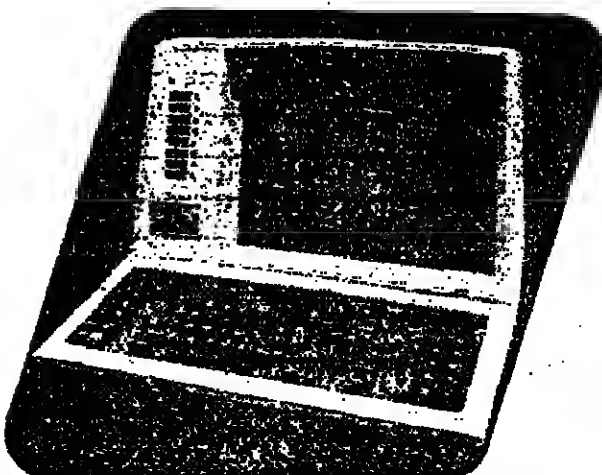
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## If you are thinking of word processing

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The new IBM Office System 6 doesn't just bring a new speed and ease to word processing.

It also speeds up an even more time-consuming feature of office work: information and record processing.

Office System 6 maintains and manipulates office records electronically.

So material such as lists, reports, directories, customer files, schedules and inventories can be retrieved in seconds. And revised in minutes. Rather than hours.

## 1 page or 130

Office System 6 gives a choice of two storage media.

One is the familiar IBM magnetic card, holding about 1 page of text, and suitable for letters and memos.

The second, newer, medium is the IBM diskette. It holds 270,000 characters (about 130 pages), and is ideal for long documents and records.

Since diskettes are removable, they give unlimited storage.

And since they hold so much, they extend the system's working memory, giving it greatly increased formatting ability.

Yet it takes only 2 seconds from keying to access any item on a diskette.

## Type on screen, not on paper

With Office System 6, your secretary virtually dispenses with paper handling.

That's because her keyboarding is recorded on diskette or card. And simultaneously displayed on a visual display unit.

This unit makes her life remarkably uncomplicated. She can see exactly which point in the text she's reached, and each revision she makes.

It offers her formatting options.

It even guides her through each step in a piece of work, however complex.

It also plays teacher. By displaying a special training program when she's new to the system, or has forgotten a procedure.

## New ink-jet printing

There are two forms of automatic, high quality printing, with Office System 6.

Impact printing on a keyboard unit, at up to 160 words a minute.

And on ink-jet printer, which quietly forms up to 920 words a minute (actual print speed 92 characters a second).

This printer can give your documents professional looking proportional spacing and justified right hand margins.

Letters are formed at up to 92 characters a second.

Letters are formed at up to 92 characters a second.

It can change typestyle and typesize in mid-printing.

It can also automatically feed and stack paper and envelopes.

And while it's printing, your secretary's free to carry on with more keyboarding, or other tasks.

## Communications option

By using a communications feature, Office System 6 can communicate with another System 6 elsewhere. With other IBM keyboards. Or with a suitably programmed computer. At speeds up to 2400 baud (approximately 200 characters a second).

You can send information to another part of the building, or another branch, town or country, for quality printing on their own keyboard unit or ink-jet printer.

## How do you want it tailored?

There's one more feature we were careful to design into Office System 6.

Flexibility. You can use Office System 6 with all

the facilities mentioned so far. Or with only a few. And it's compatible with your current IBM magnetic card equipment, to which it therefore brings new power.

A discussion with your IBM representative will soon determine which configuration will keep your secretaries happiest and most productive.

## We haven't stopped at System 6

We have also just introduced the new IBM Word Processor/32.

Based on the IBM System/32 computer, it combines word and information

processing with data processing.

It uses three storage media. Cards. (Which can be originated off-line on existing IBM magnetic card typewriters.) Diskettes. And fixed disk, which holds up to 13.7 million characters.

This vast capacity makes it particularly suitable for heavy batch revision work on long documents and reports.

(For example, you can revise a particular word or phrase throughout a document by just one instruction.)

It has a visual display unit. And prints upper and lower case at up to 80 lines a minute.

## We're exhibiting at the Exhibition

Office System 6 and Word Processor/32 will be demonstrated at the 2nd National Word Processing Exhibition and Conference.

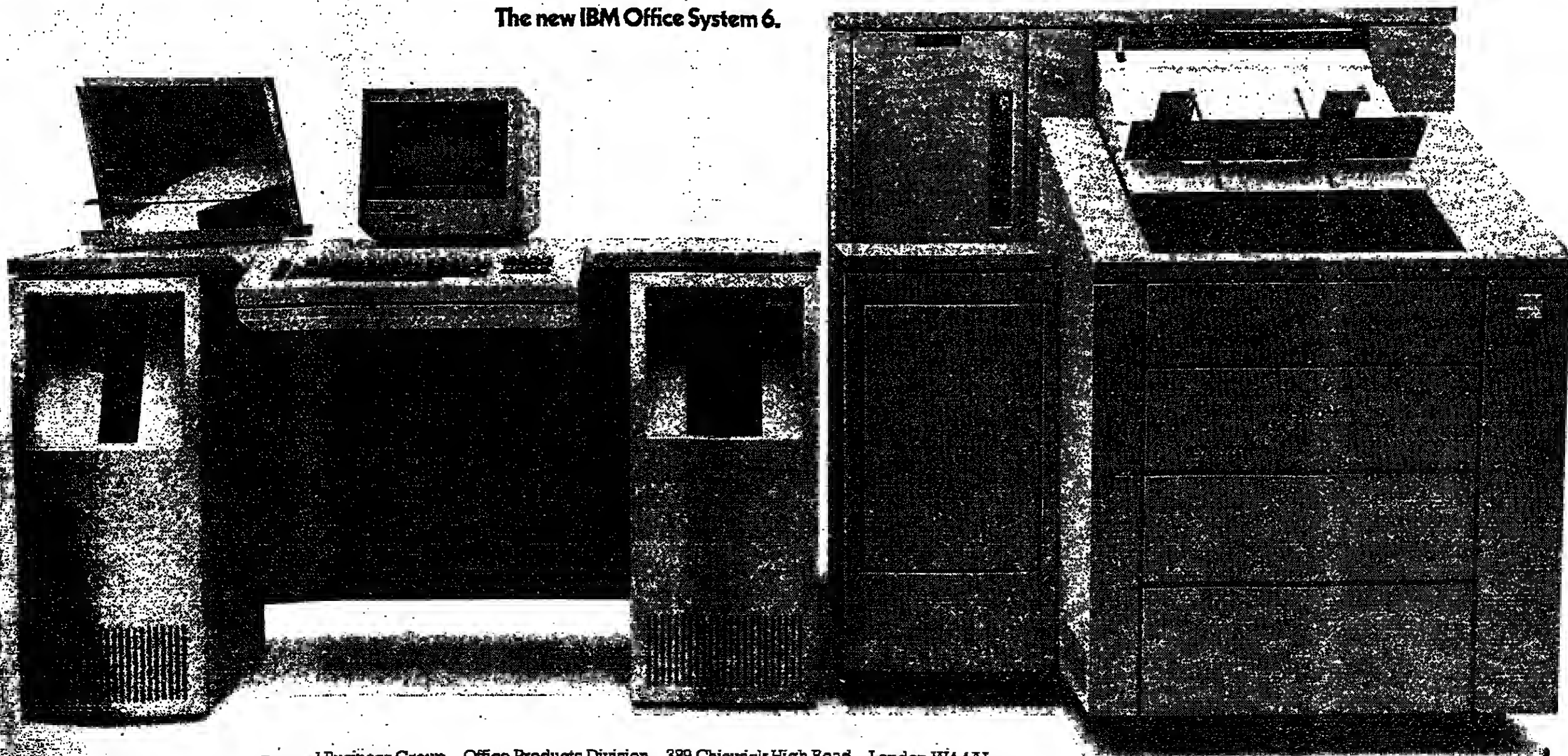
This will be taking place at the Cunard Hotel, London, May 10 - May 12, 1977.

If you can't make the Conference, phone the IBM OP Sales Desk (01-995 1441 Ext 4541/4059), for details or a demonstration.

# IBM

## Word Processing

The new IBM Office System 6.









## The Management Page

EDITED BY CHRISTOPHER LORENZ

## Leyland Cars: the case against a radical reorganisation

BY TERRY DODSWORTH AND GEOFFREY OWEN

ONE OF the most diverting lunchtime games of the last year has been to ask executives sounding off about the troubles at Leyland Cars how they would tackle the problem. Most of them have one pat answer. The organisation should be split into more manageable units, responsibility should be pushed down the line, and workers should be given more chance to identify with their own plant and car marque.

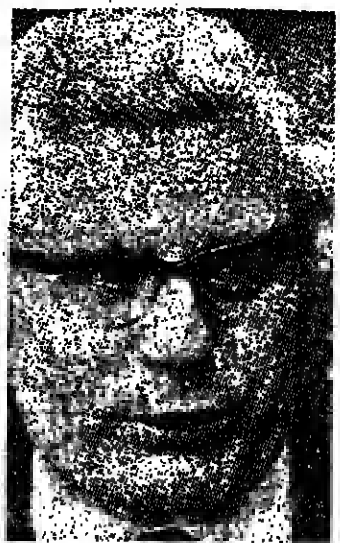
Some see this as a step towards creating independent companies, so that, if necessary, the volume car side could be dropped without affecting the specialist cars; but this implies a degree of confidence in the ability of Rover-Triumph and Jaguar to survive on their own which experience in the Leyland motor industry does not justify. A more cogent argument is that the creation of the smaller plant groupings, preferably centred on the manufacture of a particular car or marque and operating as semi-autonomous profit centres, would give employees a sense of loyalty to their own company.

On the one hand this would bring the industrial relations advantages of the "small is beautiful" concept, and on the other keep alive the threat of specific closures if performance fell back within a plant or a particular group of plants.

Leyland does not have local plant organisations in this sense, any more. As the old company management teams are broken up—and the process is now virtually complete—workplaces in the Midlands are gradually losing the sense of identification they once had with their range of cars. The present structure means, for example, that one man runs the assembly operations at Lang-

bridge, while another looks after the engine manufacturing in the same plant; Rover and Jaguar assembly works both come under the same operational director.

These developments have unquestionably led to a loss of purpose and a sense of bewilderment in the Leyland workforce. Since the reorganisation two years ago, this feeling has been compounded even more by two additional re-



Alex Park, the chief executive. His job could be merged with that of the managing director.

the essential job of getting the cars out.

"Management comes down to people," is how one production manager puts it, "and to run a group of people you need experience on the factory floor. The biggest problem in Leyland is that you don't get enough support as a production man."

The defence against this kind of reaction is that Leyland is now right in the middle of a period of fundamental change which is inevitably upsetting for many people in a 120,000-strong organisation. It is argued by a strong faction within Leyland that the company is essentially on the correct course, and that all it needs is more time to overcome its problems.

These are the arguments the National Enterprise Board, Leyland's major shareholder, now has to consider as it examines the new plan the company has recently drawn up which indicates that it would like to stay on a broadly similar course to that already established.

The difficulties caused by the reorganisations have in themselves created strong arguments for continuity. "There have been too many reorganisations," says one production manager. "I don't believe in shuffling things around any more. We have had two reorganisations in the last 12 months. All that happens is that everyone gets confused, while the effect on the plants is minimal."

Another manager talks about the demoralising impact of managers changing their jobs

too frequently. Subordinates are willing to make an effort to adjust to a new manager if they know he is staying, he says. "Yet in my group I am the only person who has taken two consecutive annual budget meetings in the last eight years."

What middle and supervisory management in Leyland seems to want at the moment is a period of consolidation in which change is limited to making the present organisation work.

They would like to see more emphasis placed on encouraging production departments and giving better incentives to production workers. They would like to see a halt to the burgeoning influence of staff departments, and want to make an attempt to return authority to the production line management. But most of all they would like to see continuity in the factories. "If you change managers every six months the workers are not willing to try and adapt themselves any more," is how one executive puts it.

There are signs that this is beginning to happen already. After the upheavals of the past two years, the cars group is beginning to establish a more settled organisation, and several younger managers are coming through to run the factories. At the same time, some managers feel that authority is being reasserted on the production lines. One small change, for example, is that production managers in some plants are being given responsibility once again for chairing industrial relations committees, a function which had passed over to the industrial relations staff; the IR men will now sit in an advisory capacity.

## Initiative

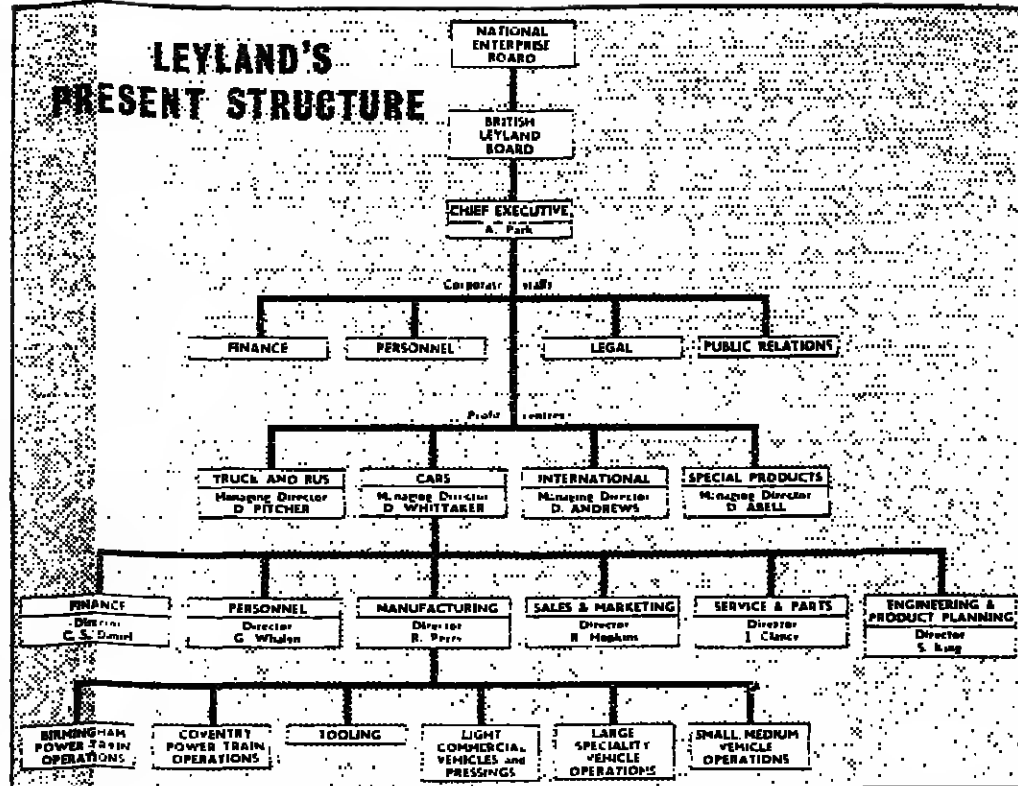
There has also been a big psychological change in the way Leyland personnel now recognise that they are in an international business which is dependent on reaching international standards. In this respect, the Think Tank report, by drawing attention to standards overseas, seems to have made an impact, and several Leyland employees have now visited Continental car works under the initiative of the tripartite committee of Government, employees and unions.

"Our work pace is much higher than in most Continental plants," says one Leyland manager. "But we simply do not utilise our machine tools as well as they do. If we could get the utilisation of capital which they get on the Continent there is no doubt we could be competitive with anyone in Europe."

In addition, the stock of Derek Whittaker, the managing director of Leyland Cars, whose future has come under intense speculation since the tool-makers' dispute began in February, is beginning to rise

in the plants. "If Derek Whittaker were in he chopped it would be the greatest disservice to the British motor industry since the loss of George Turnbull," is how one manager puts it. Another open admirer of Turnbull, the former head of Austin Morris whose name has again been linked with Leyland, says: "I am beginning to get a great deal of respect for Whittaker. He is very tough." And one of the senior shop stewards says: "He is a good engineer and a good accountant, and he believes in making participation work. His only failing in my opinion is that he has no television image."

If anything, dissatisfaction within the plants is directed more at the main Board and National Enterprise Board in London than at Whittaker and his team. Leyland workers at all levels would like to see a figure at the centre who would come across as a spokesman of authority for the group as a whole. At present they can identify with no-one very clearly. Both Lord Ryder, chairman of the National Enterprise Board, and Alex Park, BL's chief executive, tend to be heard only during times of serious industrial disputes, and the fact that they both speak for Leyland tends to substantiate the view that the group has an unwieldy structure at the centre. But that is a problem the company could perhaps, live with if stability could be restored to the Cars group.



THE PRESENT structure of British Leyland and of Leyland Cars within it, is shown in this chart. If the Government decides to change it, the options include:

1—Having off Special Products either as an independent subsidiary or as a separate subsidiary of the NEB. This may be desirable on general grounds, but is not directly relevant to the main issue, which concerns cars.

2—Doing the same with Truck and Bus. On paper this would reduce the burden on the chief executive, but since overseas sales of trucks and buses are handled by Leyland International and in some markets closely tied in with cars and Land-Rovers, it would create unnecessary complications.

3—Merging Leyland International with Leyland Cars. This

would be a means of combining the two divisional staffs and perhaps eliminating most or all of the corporate staffs. But since Leyland International is one of the few parts of Leyland which is well organised and working smoothly, it would be a mistake to disrupt it.

4—Merging the job of managing director, Cars (Derek Whittaker) with that of chief executive (Alex Park), and integrating most of the divisional staffs reporting to services.

5—Within Leyland Cars itself, abandoning the functional structure set up after the Ryder report much too quickly and he quite wrong to dissipate ruthlessly, in the eyes of some scarce management resources (critics) and adopting a system over several divisions or profit centres.

There would be three of these, Austin-Morris, Rover, Triumph and Jaguar (or possibly four if Parts is treated as a separate business, which would be responsible for their own sales and some of their own engineering and production. They would "buy" high-volume components from one or possibly two manufacturing divisions, which would operate as cost centres; the profit centres would also draw on the central staffs for certain engineering and marketing services.

6—Retaining the functional structure but improving it. Some people argue that since the key problems lie in production and engineering, it would report much too quickly and he quite wrong to dissipate ruthlessly, in the eyes of some scarce management resources (critics) and adopting a system over several divisions or profit centres.

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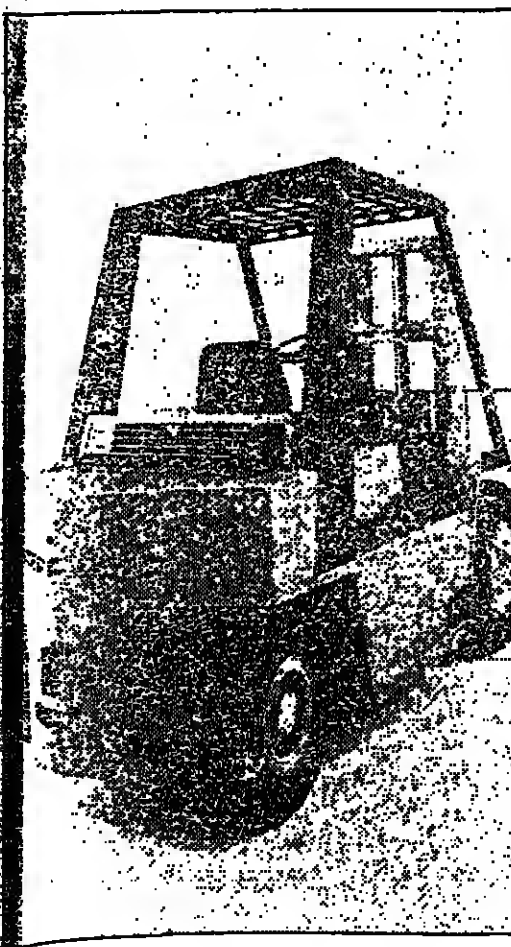
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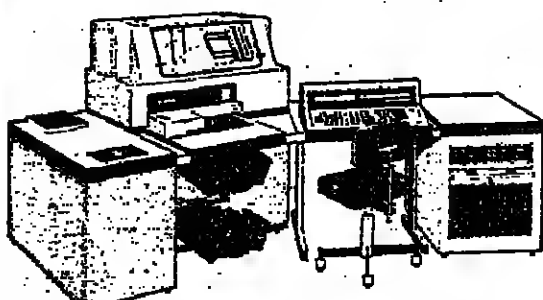
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## Business books

Planning and Profit in the Urban Economy, by T. A. Broadbent. Methuen and Co. £6.50. This aims to explain the current crisis in planning in the U.K., and shows how the British experience highlights the general problem of planning in a mixed economy.

Beyond Bureaucracy, by Derek Sheane. Management Research. £1.20. This short report examines the current state of modern complex organisations.

Down the Road, by Sarah Cox and Robert Golden. Writers and Readers Publishing. Co-operative. £3.50. This book sets out in plain language the realities of unemployment and by analysis and argument seeks to provide a tool for those involved in struggles for the right to work.

Communication at Work, by Barry Maude. Business Books. £3. This book examines specific techniques for communicating with shop-floor workers and white collar employees, and ways of winning their co-operation and support.

Economics and the Environment, by Allen V. Kneese. Penguin Books. £1.20. In this book Professor Kneese examines the reasons why pollution becomes a pervasive problem at a certain stage in economic development.

Inflation, by Michael Jefferson, Thomas Mann, Andrew Dickson White and Walt Rostow. John Calder (Publishers). £3.95 and (paperback) £2.25. This sets out in plain language the reasons why inflation has become a pervasive problem at a certain stage in economic development, and tries to evade the issue.

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TUESDAY, MAY 2, 1977

## How to defuse protectionism

ONE OF the few consistent themes in Government industrial policy since the war has been the encouragement of inward investment. U.S. companies, in particular, have invested on a large scale in the U.K. Although their arrival was not always welcomed by their British competitors, their presence has been good for employment, good for exports and good for the overall quality of management in British industry. More recently the Government has been making a strenuous effort to attract Japanese companies. It has been apparent for some time that the Japanese were likely to invest on an increasing scale in North America and Western Europe, partly as a means of defusing protectionist sentiment. It is in the U.K.'s interest, the Government believes, that as much as possible of this investment should come to this country. If imports from Japan are replaced by domestic production and if, on top of that, the Japanese-owned plant becomes a substantial exporter, the gains to the U.K. economy are clear.

### Deterrent

Inevitably Britain's reputation for poor industrial relations has deterred a good many potential investors and the flow of capital from Japan has so far been modest. One of the successes has been in the TV set manufacturing industry where first Sony and later Matsushita have set up plants in South Wales. Now a third company in the same sector, Hitachi, is thinking of setting up a plant in the North East. This suggestion has aroused a furious storm of protest from the domestic makers, who argue that Hitachi's arrival would weaken the British-owned sector of the industry even further and lead to a net loss of jobs. They point to the immense strength of the Japanese component industry, which would continue to supply Hitachi's U.K. plant with a large part of its requirements.

As the domestic industry sees it, the Japanese manufacturers are aiming ultimately to secure the same sort of dominance in the world domestic electronics business as they already enjoy in motor cycles; the Hitachi investment should be regarded as another step in that process. To let Hitachi in would make

nonsense of the "industrial strategy," designed to improve the competitiveness of British industry. What Europe needs, the manufacturers seem to be saying, is a policy to defend itself against the Japanese assault, including controls both on imports from the Far East and on direct Japanese investment; if European Governments fail to do this, the British must do it alone.

The Government should reject this line of argument. The Japanese manufacturers have acknowledged, at least as far as the U.K. is concerned, that they cannot go on exporting their goods in ever-increasing volume; and that local investment is a political, if not an economic, necessity. If Hitachi's U.K. production replaces imported sets and if the company agrees to use a substantial proportion of British-made components, preferably including the colour tube, the project deserves to be supported.

Adopting Hitachi sets to take Mullard tubes (the only British-made products available since the closure of Thorn's Skelmersdale plant) would no doubt cause technical problems, but this is the kind of concession which the Japanese may have to make if they wish to have continued access to the market. For however misguided and anti-competitive the protests of the domestic manufacturers may seem, they reflect widespread fears of Japanese industrial dominance and a justified resentment of the lack of reciprocity in the Japanese market itself.

### Partnership

There are very great dangers that the strength of the Japanese export drive will create protectionist pressures which Governments will be unable to resist. The pressures will be lessened if Japanese companies become more fully integrated, through manufacturing investments, into the economies of Western Europe and North America. These investments must be planned in a way which forges a genuine partnership with local suppliers. To buy locally-made components in preference to Japanese products may be unwelcome, especially in a field like consumer electronics where Japanese companies are so strong, but it is one way in which the invaders can gain local support.

## Sr. Suarez makes a mistake

SR. ADOLFO SUAREZ, the Spanish Prime Minister, has an extremely delicate task in piloting his country to its first democratic elections in 41 years. So far he has accomplished it with commendable, and perhaps somewhat unexpected, dexterity. But the last-minute decision to ban Sunday's trade union rally in Madrid, and then to send in the police with orders to clear the streets as forcefully as possible, was an error of judgment that has led to the tarnishing of his Government's image both inside and outside Spain. The police methods used on Sunday bore the stamp of the Franco era rather than that of the new democratic Spain that the country's West European partners are hoping for.

### Assurances

The Government knew that the three trade unions — two Socialist, one Communist-leaning — were bound to go ahead with their march despite the ban. In the first place they could hardly refrain from demonstrating under a regime pledged to democracy when they had attempted to do so every May 1 under General Franco. In the second they wanted to celebrate their official legalisation three days previously. The Government accepted their assurances that the gathering would be non-violent as indeed it was until the police intervened. The reason officially given for the ban was that Right-wing factions were planning to use the occasion for a violent display of force.

It is, of course, true that the Right still poses a powerful threat to the establishment of a Western European democracy in Spain. There are many people who regret the old regime, and the extreme Right is particularly angry with the Government's decision to legalise the first

Communist Party and then, last week, the Communist-backed trade union.

The Government still feels it needs to reassure the Right by showing it can deal firmly with the Left. But if Spain is to be a democracy, the forces of reaction cannot be allowed to maintain a veto over public gatherings by simply threatening violence. Equally, if the Government permits itself to become too publicly linked with the Right and gives hard line elements in the police their head, it runs the risk of furthering the very progress of the Left that it is trying to prevent.

Obviously the Government has to be careful less than a month and a half before the elections. But it would be wrong to be too afraid of isolated acts of violence by the extreme Right. When these have occurred in the past, they have tended to be counter-productive. They have not so far provoked leftist retaliation on the scale that the extreme Right wants so as to justify a return to authoritarian Government.

### Duplicity

After so many years in which they were illegal, Left-wing trade unions and political parties are understandably short of members. Their main priority for the time being is to enlist recruits. It can only aid their campaign if they can find convincing evidence that nothing has really changed in Spain, despite the democratic veneer. Yesterday, the unions were claiming that the Government had provided fresh proof of its duplicity by legalising their activities one day and suppressing them the next. If Sr. Suarez is a genuine democrat at the Centre, as he claims, it is in his own interest not to lend weight to such allegations.

# Power supply key to strike

By Our Special Correspondent in Belfast

THE THREATENED Ulster "Loyalist" strike, if it comes off, will be a battle for power in more than one sense of the word. The key to its success or failure may well lie in how far the strikers manage to control Northern Ireland's electricity supplies.

The success of the 1974 stoppage, which brought down the power-sharing Executive in Belfast, was due more than any other single cause to the almost total seizure of the power supplies and the skilful way in which the strikers used this control.

Northern Ireland's power is especially vulnerable. It is virtually a closed system and power cannot be supplied from the national grid. The bulk of the Province's power — over two-thirds — comes from one power station, the 600 MW plant at Ballylumford, just across the estuary from Larne. It is probably not too much to say that the strike will be won or lost among its plant turbines.

There are three other stations, two in Belfast and one in Londonderry which is hardly susceptible at all to Loyalist pressure. But without Ballylumford a minimum service can barely be kept going.

In 1974 the strikers played a brilliant cat-and-mouse game with power. They ran Ballylumford down so low it seemed as if the system must stop altogether, but it never quite did. The absence of normal power was vital to their success. Not only did everyone struggling in the dark to heat food on camp stoves know that the strikers were in control, but eventually many companies had to shut because of interrupted supplies.

There are some important differences this time, however. The degree of support in the power stations would appear to be significantly less, in spite of Loyalist attempts to downgrade the various workers' meetings held recently. Nevertheless the strike organisers still hold some trump cards. If they picket the ferry out to the plant they can effectively prevent workers reaching the station at all.

This would be a much more operation than that of 1974, threatening as it would the entire power supply, and against it the Government has two weapons. It can attempt to clear the roads, allowing

workers access, with the attendant risk of inflaming Protestant opinion, or it can try to run the power stations itself. In 1974 the advice of the Army was that it could not run the power stations unaided. The Ballylumford plant is among the most complex in the U.K. If the strikers' objective is to cause the maximum disruption and public inconvenience their other major targets will be food and petrol supplies.

Of the two, it was probably petrol which had the most impact. Northern Ireland is hardly California, but it is still a motorised society and the sight of drivers queuing for hours for a rationed gallon of petrol — which they must have all but wasted as their engines idled in the queue — suggested that the strikers had here touched a raw nerve in western society.

On the assumption that one does not change a winning formula, the strikers may try something similar again.

Public transport is also vulnerable, particularly in Belfast. The bus company there has lost enough vehicles in the past

seven years to have become highly sensitive to the situation. Mr. Mason knows all this and his first problem may be how to keep the roads clear. Suppliers to this day that firm action on the streets in the first 48 hours might have saved the day in 1974. But the UDA is numerically much stronger than the Provisionals and the prospect of widespread street clashes at several different locations in Belfast and elsewhere must still be a nightmare for Army chiefs.

It seems likely that any confrontation on the streets will be kept going only by injections of Government money on a massive scale.

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There could well be gut support for the strike in rural Ulster again.

## Three of to-day's protagonists

ERNEST BAIRD, with Mr. Paisley, the leader of to-day's strike, is the most interesting — and perhaps the only — new politician of any consequence to have emerged on the Northern Ireland scene in the past five years. And it is significant that he should have appeared in the hard-line Loyalist camp. Some would say that it is also extremely depressing, for it implies that as the old-time Protestant leaders either disappear or mellow under the influence of hopelessness and horror, there is another generation as intransigent and yet more ready to take their place.

Mr. Baird is 46; and he is certainly able. He receives one in an austere room above a large and obviously prosperous retail chemist's shop — one of four branches of the business he owns and manages. He is tall, slim, courteous and charismatic.

It is easy to believe that he lives to a prosperous suburb with a pretty wife and four children and that he neither smokes nor drinks.

What caused such a man to break away last year from his former life in the Vanguard Party, Mr. William Craig, on the issue of a coalition between the Protestants and Catholics? Why has he allied himself more or less loosely to Mr. Ian Paisley? And why has he become the

organising brain (as he has behind to-day's strike attempt)?

His opponents naturally say the explanation is pure ambition. He has certainly become a major figure on the strength of his rupture with Mr. Craig and his subsequent appropriation, for the purposes of his own new Party, of much of Mr. Craig's organisation. It is interesting, too, to note that when he is asked what the difference between his own position and that of Mr. Paisley really is, he is honest enough to reply that it is mainly Mr. Paisley's personality that prevents a closer political union between them. He obviously does not suffer from lack of self-confidence.

And yet, talking to him, one does not get the impression, as one often has hearing Mr. Paisley, that ambition is the key element. For that, one probably has to look into his boyhood in Donegal where, he claims, Protestants were fiercely discriminated against. He insists on the "differentness" of Protestant and Catholic cultures and how it is impossible for a Protestant to feel "at home" in the South. He is in favour, he says, of religious toleration in the North, but believes that the majority, that is, the Protestants, should be permitted to set the terms of the society.

Why the hurry to bring on a show-down now, though? His answer is that time is against the Protestants. Protestant emigration from the peripheral counties in the Province and even from the Province itself, under the pressure of the IRA, will eventually lead to the destruction of the Protestant majority. "We have to make a stand now or he destroyed piecemeal."

How far would he carry his campaign? Would he take to arms? He answered: "I have never yet joined any paramilitary group. I don't want to live in a country ruled by the gun." He paused. "But some day I might be driven to it."

ROY MASON has been Secretary of State for Northern Ireland for seven months and to-day's strike of the militant Loyalists there constitutes his first major crisis.

He has surprised friends and opponents alike by importing into Northern Ireland for the first time in a decade a genuinely new policy which might be called "aggressive quietism."

Where former Secretaries of State have wrestled with the Northern Ireland problem — Mr. Callaghan doggedly, Mr. Whitelaw restlessly and Mr. Rees agonisingly — Mr. Mason has quietly adopted the judicious technique of allowing the other fellow's momen-

tum to do the work for him. His public stance vis à vis some of the most temperamental and volatile politicians in the western hemisphere has been, in effect, "If you lot want to go on playing silly so-and-so's, I can't stop you. I'll try to keep you and order for you and prevent you wrecking your economy irretrievably, but I'm not going to waste time arguing with you until you're prepared to talk sensibly."

It has been a bold and remarkably original gamble by a man whose past record might have led one to expect something much more conventional. This small, cocky, ex-miner from Yorkshire, has ever previously impressed his colleagues and civil servants with much political finesse.

Now opinions are being to be revised a bit. He has had one or two genuine coups in Cabinet — the most notable of which were the exceptions made for Northern Ireland in the Budget and the public expenditure cuts. Moreover in the Province itself he has gone down remarkably well. He works on harder than his predecessors, which is to say grindingly hard for a man of 53 — but his breezy, no-nonsense style has drawn some surprising tributes from both sides.

If the Protestant population answers Mr. Ian Paisley's call, of course, Mr. Mason's reputa-

tion will inevitably suffer. For even if he managed to outface the strikers by force and resolution, he could hardly hope to make much progress in the bitter atmosphere that would presumably follow. If, however, the strike goes off at half-cock, and Mr. Paisley is isolated, it could well be a breakthrough — and one for which Mr. Mason will be entitled to claim some credit. By making direct rule seem a reasonable, humdrum affair, he may have created something of a political vacuum, but he has at least made the only logical alternative in the present circumstances — an independent Ulster — look far worse.

David Watt

THE THREATS of militant Loyalists are being openly opposed by a soft-spoken Belfast Presbyterian clergyman who, in terms of numerical strength alone, could claim a greater potential influence over Protestantism than Mr. Paisley. The Rev. Martin Smyth, the 46-year-old Grand Master of the 100,000-strong Orange Order, is continuing to defy Paisley's dominance of Unionist politics.

At considerable risk to his political career Smyth began private talks with the Roman Catholic Social Democratic and Labour Party following the failure of the Constitutional

Convention. While Mr. Harry West, the nominal head of the Official Unionist Party, returned to the obscurity of farming life, Smyth fought and won a battle against Paisley's veto on talks with the minority.

At one time moderate Unionists came to regard him as potentially the most powerful antidote to the rabble-rousing of Paisley. It was Smyth who advised caution within his own party and achieved it when Paisley and his supporter, Mr. Ernest Baird, formed the United Ulster Action Council. Smyth can claim to have his roots deep in the community he represents. He climbed from the back streets of Sandy Row in West Belfast to lead a secret society founded in 1795 to carry on the work of William of Orange. Such credentials, reinforced by a clerical collar, provide a strong protection against the backstabbing of would-be rivals. Since the failure of last year's interparty talks to achieve a new understanding between the two political communities Smyth has reverted to a less publicised role.

Now he has again challenged Paisley by personally opposing the strike call but has been forced by the varied background of the large number of members in the Orange Order to adjust. That he is unable to commit it on the strike issue

## MEN AND MATTERS

### The Bravo inquest begins

As the oil companies connected with the exploitation of North Sea oil and gas get down to the task of analysing the lessons to be learnt from the blow-out of Ekofisk Bravo the public relations angle is going to be a major priority. Privately many in the off-shore industry are concerned about the way that the Phillips Petroleum-led Ekofisk consortium handled their public relations.

They feel that not enough recognition has been given to the speed of the safe evacuation of workers on the platform when the blow-out occurred, of the speed with which support vessels were assembled to douse the platform with cooling water and the way in which experts and vital materials were speedily assembled on the site.

Instead the impression given was that of an industry completely unprepared for trouble, in spite of warnings about the probability of such an accident at some time, given the sheer numbers of platforms, rigs and nodes now populating the North Sea.

Phillips Petroleum of Bartlesville, Oklahoma, seemed for several days quite unable to cope with the dimensions of the glaring worldwide attention aroused by the first major blow-out in the North Sea. It took more than 3½ days with a 100-strong pack of the world's Press baying at its door before it began to change what had early on become its classic stonewall response to delving questions. "We have no information on that."

Facts demanded in Stavanger, the centre of Phillips' Norwegian operations, were released in London days before they crossed the North Sea. But it was not until late on Wednesday that Phillips produced its Ekofisk engineering manager, Robert Archambeault, and for

the first time the baffling language of bonnets, spoolpieces and rams was given a translator worthy of the drama that was unfolding 180 miles out in the North Sea.

By the time the well was capped, a week after the blow-out, the PR machine was beginning to work smoothly, following days of behind-the-scenes coaxing by Government officials, but not even the wrap-up Press conference with Rad and Boots and Toots (Richard Hatterberg) could erase the early blunders.

### Now for the human touch

Managers who possess the human touch, an ability to get on with people and deal with the complexities thrown up by Government legislation and trade union activities, are the most likely potential candidates for the top jobs in tomorrow's business world.

At least this is the theory thrown up by an article in the current issue of International Management which forebodes a bright future for the executive with personnel training and experience.

In the immediate post-war period the main priority everywhere was to get factories built and the machinery functioning, and that is why so many engineers were to be found in the top management positions. But the very success of the engineers and technicians led to the sort of over-capacity which brought marketing men into their own. Making and then selling the product proved so successful during the 1950s that finance men were then needed to sort out the problems of acquisitions, diversification and a progressive internationalisation of business.

Having re-built, innovated, marketed, merged and internationalised themselves, how-



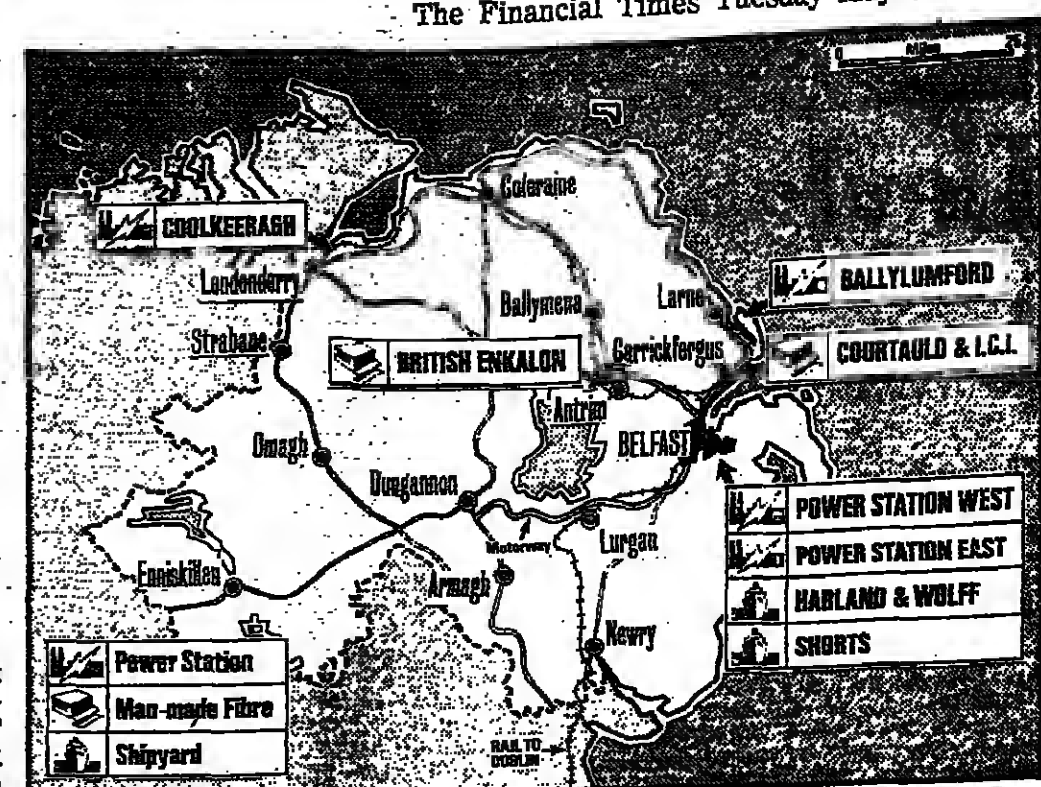
"It's not surprising, he's just had a few lessons from the Master!"

ever, businessmen are now face to face with what the magazine calls "the social era" with growing demands for Bullock type worker participation and greater industrial democracy generally.

This has led many companies to include personnel managers on their Board for the first time and it is a sign of the times that men like Sir Rowland Wright, the Chairman of ICI, served five years as personnel director before becoming deputy chairman.

### East Mark uber alles

There was a time, not very long ago, when Polish gypsies would indignantly refuse to read the palms of visiting East Germans who offered the service. Only when the gypsies' own palms had been suitably crossed with genuine Deutschmarks from West Germany would the visitors have their future told.



Only last week an empty order book was sweetened with a £80m. order for two carriers for Shell.

The first economic damage would not be done to industry, which can stand some delays in production, but to agriculture, still Northern Ireland's biggest business. There the effects will be quick and immediate. Three years ago thousands of gallons of milk were poured away for want of creameries to send them to and chickens died in their battery farms as the power was cut off.

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## Tootal on target with £17.78m. recovery

1. *Journal of the American Medical Association*, 1997; 277: 1033-1036.



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# Maintaining Britain's world leadership

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT



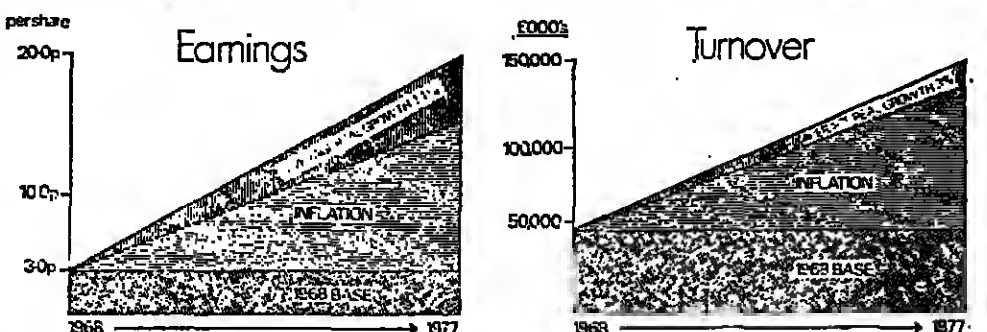
John Menzies (Holdings) Limited  
John M. Menzies, Chairman

John Menzies was founded in 1833 as a family business and the Menzies family are still active in the management of the company, which has been publicly quoted since 1962.

John Menzies is one of the two largest U.K. distributors of newspapers, magazines, books, stationery and associated products, and is fast expanding the range of goods held in its stores. It operates from approximately one hundred wholesale depots and more than two hundred retail outlets—ranging from city centre department stores to station end airport bookstalls throughout the country.

## Ten Year Record

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Turnover	£3,758	£4,506	£5,375	£6,618	£6,228	£1,050	£7,373	£10,126	£12,441	£14,096
Profit										
Trading	£57	£80	£27	£67	£1,445	£1,805	£2,348	£2,803	£3,088	£3,276
After interest	501	770	775	948	1,372	1,936	2,403	2,138	2,720	3,095
After tax	305	421	397	529	773	1,090	1,108	926	1,270	1,430
Per ordinary share										
Earnings	3.0p	4.7p	4.4p	6.3p	10.0p	14.7p	15.3p	12.5p	17.7p	20.0p
Dividend—net	1.55p	1.67p	1.67p	1.82p	2.89p	2.52p	3.25p	3.52p	3.82p	4.20p
Dividend cover	1.9	2.8	2.6	3.3	3.7	5.8	4.7	3.6	4.6	4.6
Capital employed										
Return	10.9%	15.7%	15.8%	17.9%	23.7%	28.9%	35.0%	28.5%	31.5%	33.6%
Assets employed	5,362	5,458	5,502	5,790	6,115	6,911	7,009	7,724	8,831	9,385
Per ordinary share	38.3p	41.2p	42.8p	48.8p	53.1p	65.7p	68.6p	78.4p	95.5p	107.7p



John M. Menzies, Chairman, covered the following points in his review already circulated to shareholders with the report and accounts.

### The Year's Results

Sales have increased by 12.2% pretax profits by 13.8% and earnings per share by 13.0%. While these results are less than expected at the beginning of the year, they are satisfactory when the external trading environment is taken into account. The ordinary dividend of 4.20p per share is the maximum we are free to pay under existing restrictions.

### The Future

At the time of writing, price inflation is again on the increase and wages continue under restraint. There thus seems little prospect of any rise in living standards before the end of the year, particularly as savings have been forced down to historically low levels. Although our budgets have been based on this cautious assumption, they indicate a further increase in profits. Forecasting results in current conditions is hazardous, but it seems reasonable to expect a satisfactory year's trading.

Shareholders will be welcome at the Annual General Meeting to be held at 20 Hanover Street, Edinburgh on the 27th May 1977 at 12.15 p.m. A copy of the accounts can be obtained from the Secretary.

John Menzies, Hanover Buildings, Rose Street, Edinburgh EH2 2YQ

## KODE

Results for the year ended  
31st December 1976

	1976	1975
Group Turnover	£4,470,000	£2,212,000
Profit before Taxation	£603,000	£284,000
Profit after Taxation	£402,000	£151,000
Dividends	£48,000	£43,000
Earnings per Share	12.4p	4.7p

Highlights from the Statement to Shareholders by Chairman, Mr. W. D. Tudor:—

I am pleased to report excellent results for the year ended 31st December 1976, reflecting the success of our declared intention to invest in organic growth and acquisition.

Pre-tax profits rose to £603,377 compared with £284,492 for 1975, and include £266,569 earned during the whole of 1976 by Moore Reed and Company Limited, acquired during the year in accordance with our stated policy.

An interim dividend of 0.7038 pence per share was declared on the half year results and the Board recommends a final dividend for the year of 0.7647 pence per share. These dividends, with the associated tax credits, are equivalent to 9.04%, and are the maximum payable under current legislation.

The demand for the Group's products remains strong, orders being well up on a comparable basis with the same period last year. I am confident that there are excellent prospects for the Group to build upon the foundations already laid. 59

## Kode International Limited

21 CORK STREET, LONDON W1X 1HB

Manufacturers of data processing equipment and components for industrial and military applications

IT WAS a merger in Sweden last year which finally convinced the directors of Johnson and Firth Brown that they ought to think seriously about acquiring British Rollmakers Corporation. In Sweden, Bofors and Akers put together their rollmaking interests with the idea of becoming more competitive by offering complete roll "packages" to the developing countries now intent on setting up their own steel industries. JFB agrees totally with the logic of that merger and was using the same arguments yesterday to explain its sudden raid on RRC.

The group was also insisting that the U.K. has world leadership in the rollmaking business and a merger of JFB with BRC should make sure the British do not fall from their dominant position.

In steel processing terms rolls come in two basic types, cast and forged. Generally, the cast rolls are used at the primary end of the processing, squeezing hot ingots into steel plates, for example. The forged rolls have a better metallurgical quality and are stronger as well as having a better surface. So they tend to be used at the finishing



MR. PHILIP LING, general manager, Johnson and Firth Brown.

end of the process, turning the steel plate into the sheet steel used by car makers or refrigerator manufacturers. Most metal rolling mills require both types of roll.

Sweden can offer both types from one organisation and the other main competitor, Ohio Steel of the U.S., has been providing both cast and forged rolls. In the U.K., however, BRC has been making the cast rolls and JFB the forged.

The benefits of being able to buy both from one source is mainly a matter of convenience. When a new mill is being built the customer for the rolls is the prime contractor and he usually wants to deal with as few suppliers as possible. It is certainly important that the U.K. companies should not miss out getting in at the beginning as the developing countries build their steel processing facilities. Each item of equipment is always a little different from that offered by the competitor and is therefore difficult to replace with something from another manufacturer when replacement is necessary. Both JFB and BRC rely heavily on exports. In the U.K. their list of customers is a short one, with the British Steel Corporation (which also manufactures some of its own rolls) the dominant member. It was being reflected in the fact that BRC estimated yesterday that perhaps 80 per cent. of the U.K. sales



Mr. D. F. Dodd, British Rollmakers Corporation

of JFB and BRC go to the BSC. Both have the capacity to produce more rolls than the BSC could possibly require even at times of peak demand. This is reflected in the fact that BRC has been exporting between 30

and 40 per cent. of its output of rolls while JFB has exported in the region of 65 to 70 per cent. The traditional markets are probably fairly safe and a JFB-BRC merger will make no difference on demand from this direction.

These markets are the heavily industrialised countries such as Canada, South Africa and various parts of Europe. The users will not take risks with the rolls they buy and for very good reason. When a roll is flawed and the flaw is not detected it can literally blow up in use. When this happens "straps" are scattered over several hundreds of yards and can severely damage a mill in the process. For this reason the traditional customers tend to turn to the people they know and know they can trust.

Many industrialised countries do not generate enough demand to justify their own rollmaking capacity. The manufacturing plant is extremely costly and a high volume of output is required to justify the capital investment. That said, margins of profit on rolls are good. And that is another good reason for the U.K. to remain among the international leaders

## Pearl puts £39m. into equities

Pearl Assurance Company was a substantial equity investor in 1976 with a net amount of £29m. of new money being invested in this sector, mostly in U.K. equities. In contrast, the gilt-edged portfolio was increased by only £28m. over the year. This investment pattern is the opposite to that of most other life companies where far greater amounts were invested in gilts compared with equities.

Mr. F. L. Garner, in his chairman's statement, points out that £71m. of the amount invested in equities went to financing industrial and commercial enterprises raising capital through rights issues and that during the past two years the company has provided more than £150m. of new equity capital to U.K. companies. The company took the general view that the return on equity investment values of equities were attractive enough to maintain the high equity position adopted. It was considered that well-diversified equity investment with sound companies has inherent strength and good prospects for increasing values in real terms. The company was active in the equity sector throughout the year, but from May onwards it more into ordinary shares as the market fell and more investment opportunities presented themselves. Most of the gilt investment occurred during the final months when yields were at their highest.

Gross advances under house purchase mortgages totalled £12m. last year, with net lending amounting to £5m. and net investment in property amounted to nearly £7m. with the forward programme at the year-end standing at £51m. Mr. Garner states that the low level of investment in property reflects the uncertainty in the property market and the very low level of development in the taking place. Total assets of the company rose by £31m. during the year to £917m. after writing up the equity and property portfolios. Premium income in the combined life funds rose from £104m. to £120m. of which £68m. was in the industrial branch and £52m. in the ordinary branch. Gross investment income rose by £12m. to £81m. and the yields on the life funds both

climbed significantly—in the ordinary branch to 8.69 per cent. from 8.55 per cent. and in the industrial branch to 9.74 per cent. from 8.87 per cent.

The report shows that total payments to policyholders rose by £5m. to £79m. with surrenders payments climbing by nearly £1m. to £142m. This latter increase arose from an improvement made early in 1976 to the surrenders values and not from a rise in the actual number of surrenders. But Mr. Garner points out that the surrenders value scale is still not back to the level in force before the 1974 fall in the stock market and he considers that it would be unfair to continue to policyholders to introduce a scale that did not reflect the fall in the value of underlying investments. The company was badly hit by inflation in 1976 and was not completely able to contain its expenses. The expense ratio in the ordinary branch jumped to 34.47 from 32.51 and to the industrial branch to 49.51 from 39.26. Mr. Garner states that some costs increase automatically with the growth of business and others with inflation. But it was impractical for total premiums to expand at the same rate as inflation when it reached the levels which it did. He points out that from April 1 the company suffers a further 2 per cent. impost on pay to be levied as part of the Chancellor's economy measures.

On the general insurance account, premium income increased last year by 24 per cent. but the underwriting loss was £0.5m. higher at £2.5m. There was an improvement in motor, liability and pecuniary loss accounts but this was more than offset by the very poor results on the property account which was badly hit by heavy claims for storm and subsidence damage. Mr. Garner refers to the increasing pressure being put on householders' business with inflation putting up claims and servicing costs which weighed down the growth in premium income. Even without the storm and subsidence claims the account would have shown an underwriting loss.

## Low and Bonar plans further growth

A year with "many encouraging features," including profits from the Babby and Bonar producing acquisition, is forecast for the Low and Bonar Group by Mr. Ian C. Low, chairman.

And he discloses that there are plans for further development in the area with a more solid foundation for future profitable growth and a widening spread of activities, in both products and markets.

As reported on March 22, pre-tax profit rose from £3.8m. to £6.3m. Of the increase, 90 per cent. came in the second half. Packaging contributed £2.6m., engineering £1.3m., textiles £2.6m., Plotech £0.8m. loss, finance charges £11,000 and investment income £39,000.

All operating divisions contributed, the most significant increase being achieved in the textile division and in particular in the Nigerian and Zambian companies.

The company's cash balances increased by £0.81m. (£0.36m.) and bank loans and overdrafts were up by £2.47m. (£173,000). Bank balances and cash stood at £1.67m. (£0.88m.) and bank loans and overdrafts (partly secured) were £7.98m. (£3.3m.).

The Canadian packaging companies showed signs of recovery at the end of the year in November 30, 1976 of improved profitability, with market shares of nearly all products being maintained. While companies in eastern Canada achieved an above-average performance, heavy start-up costs at the new Calgary multi-wall plant and higher interest charges diluted narrow margins in the west.

The Dundee-based operations in the packaging division had a good year and a substantial programme of capital expenditure has been authorised for the restructured U.K. packaging division. The engineering division shows overseas markets with exports accounting for 34 per cent. of total sales of the Bonar Long electrical engineering company. The textile division is also being expanded and the group intends

to move into the growth areas of domestic textiles. This will entail the acquisition of appropriate manufacturing capacity.

African companies contributed the major share of the division's profits. Record profits were earned in every country except South Africa, due to an increase in the volume of business.

Meeting, Dundee, May 23.

## BIDS AND DEALS

### Northern Foods offering 130p for rest of Fox's Biscuits

Northern Foods has increased its holding in Fox's biscuits from 27.7 per cent. to 31.1 per cent. a year ago from J. Lyons—41.2 per cent. and, under rule 34 of the City Code on Takeovers and Mergers, is bidding for the rest. The terms of the offer, which is 130p cash per share, are the same as that paid for the additional 16.4 per cent. compare with 125p per share for the former Lyons's holding.

The Fox's Board was last night considering the offer but first indications were that the bid would be resisted. The directors and family, who are understood not to be among the sellers of the latest 16.4 per cent. block, are expected to be able to muster some 34 per cent. of the votes.

The offer, which values the whole of the Fox's at £32m., is intended to be a takeover of the company by 130p to 135p. Northern Foods ended the day 1p easier at 79p.

A spokesman for Northern said that a successful bid would put together two substantial suppliers to Marks and Spencer—Northern on cakes and Fox's on the biscuits side. He added that no redundancies would follow as a result of a merger.

N. M. Rothschild is acting as financial adviser to Northern and Barclays Merchant Bank for Fox's.

### PHOENIX TO PAY

Phoenix Assurance has now reached agreement with Property Growth Assurance to acquire the latter for a total sum of £32m., comprised of 1.67m. new ordinary shares in Phoenix. The takeover of PCA was fore- shadowed in the Financial Times last week. Phoenix is an old-established company which has specialised in the broker market and now has total funds of £58m. PCA has total funds of £75.9m.

PCA was formed in 1969 to offer unit-linked business and quickly made its mark in the property linked field under the direction of Mr. Peter Huxley. The company subsequently branched out into other forms of investment including agricultural and fixed-interest investments. It is intended that PCA will continue as a separate company with its own marketing philosophy complementing Phoenix's present range of products. Mr. Huxley, who moved to Paris

is smooths away having given up the managing directorship of PCA, the parent company of PCA, Shemley Investments, is itself 9 per cent. owned by his family interests.

### UNITISATION MOVES AT

ANGLO WELSH Anglo Welsh Investment Trust is being required to convene an extraordinary general meeting of shareholders to consider whether the company's funds should be unitised. The request for the meeting has come from Conmodity Analysts Holdings, and another shareholder who together hold 10.6 per cent. of the shares.

### NEB-BARROW

HEPBURN The National Enterprise Board's controversial £3m. investment in the tanning section of the Barrow HEPBURN Group, which is to be contested in court by a group of other tanning companies, was completed yesterday. The objection tanners' application for an injunction restraining the NEB from completing the deal was refused by a judge last week.

## MONEY MARKET

### Large assistance

Bank of England Minimum Lending Rate 8½ per cent. (5.50c April 29, 1977)

Day to day credit was in short supply in the London money market yesterday and the Bank of England intervened to help those left short by lending a large amount to two or three houses for repayment to-day at 11.2. This action by the Bank slightly more than alleviated the shortage which would give way to banks carrying forward surplus balances to to-day.

Balances yesterday however

were run down together with a slight net take up of Treasury bills and gilt edged settlements. Discount houses was also faced with the task of repaying the large loans made by the authorities on Friday. On the other hand, Government disbursements substantially outweighed revenue transfers to the Exchequer although buying rates for three-month Treasury bills of 7½ per cent. still indicated a fall in M3.

Discount houses paid 8 per cent. for secured call loans at the start but the close rates eased to 8½ per cent.

In the interbank market overnight loans opened at around 5½ per cent. and had fallen after a brief fluctuation up to 8 per cent. closing balances were taken at 5½ per cent. Short-term interest rates showed a slightly easier tendency although buying rates for three-month Treasury bills of 7½ per cent. still indicated a fall in M3. Rates in the table below are nominal in some cases.

	Mar 2 1977	Spotting of deposits	Interbank	Local Authority deposits	Local Authority deposits	Finance House deposits	Company deposits	Discount market deposits	Treasury bills	Eligible Bank Bills	Prime Trade Bills
Overnight	5½-6½	5½-6½	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
1 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
2 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
3 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
4 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
5 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
6 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
7 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
8 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
9 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
10 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
11 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
12 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
13 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
14 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
15 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
16 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
17 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
18 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
19 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
20 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
21 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
22 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
23 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
24 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
25 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
26 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
27 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
28 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
29 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9
30 day	7½-8	7½-8	7½-8	7½-8	8½-9	8½-9	8½-9	8½-9	7½-8	7½-8	8½-9

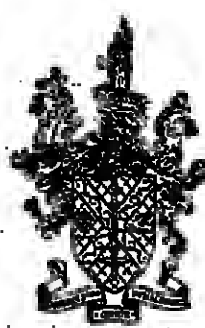
Local authorities and finance houses seven days' notice, others seven days' fixed. \* Longer-term local authority mortgage rates



## PEARL ASSURANCE COMPANY LIMITED

# "No lack of willingness to provide finance for industry."

Statement by the Chairman, Mr. R. L. Garner



This is the first occasion on which I have had the honour and pleasure of reporting to you as Chairman.

There are a number of changes in the Company's Directorate, to be reported. During the year under review the office of Chairman was held by my predecessor, Mr. S. C. McIntyre, who resigned from the Chair at the end of February this year having reached the age of 65. Mr. McIntyre has given the Company long and distinguished service over the whole of his working life, during which he has filled the positions of Secretary, Director, Deputy Chairman and Chairman. His colleagues are delighted that he has agreed to remain on the Board in a non-executive capacity as our President. At the end of 1976 Sir Geoffrey Kitchen resigned from the post of President after many years of service including a notable period as Chairman. Also at the end of 1976, Mr. E. A. J. Bone resigned from the Board after a business lifetime of more than fifty years devoted to the Company.

Having reached the age of 65, Mr. T. J. Leech has resigned as Secretary and Mr. A. C. Edwards as Actuary. Both of these gentlemen have held their appointments for the last ten years. They remain as non-executive Directors, and as from the first of March this year they have been appointed joint Deputy Chairmen. Their successors as Secretary and Actuary are Mr. N. N. Fiddow and Mr. J. R. C. Emslie respectively.

Mr. H. W. Sharp, who at the age of 65 resigned during 1976 as one of our Divisional Managers in the field, became a non-executive Director.

Finally, Mr. E. T. Blythe, the Company's Solicitor, Mr. T. W. Lewis, a Deputy General Manager, and Mr. S. A. Maitland, our Controller of Investments, were invited to join the Board whilst retaining their executive positions.

The outcome of all of these changes has been to establish the Board pattern indicated to Stockholders last year when their consent to certain changes in the Articles was obtained. We now have a Board, made up partly of members of our senior executive team and partly of experienced elder statesmen, which we feel is appropriate to the Company's needs today.

## LONG-TERM BUSINESS New Life Business

Our life business has been as successful as can be expected in a period of high inflation. It is indeed fortunate for the Company's longevity that the population at large has not lost the savings habit and has continued to invest through the medium of life assurance as well as using it for the primary purpose of protection.

The new business in both life branches has continued to increase.

In the industrial branch new annual premiums were up by 15 per cent to £15.0 million. New sums assured were up by £3.0 million to £24.0 million.

In the ordinary branch new annual premiums were up by 19 per cent to £3.7 million. New sums assured were up by £2.0 million to £36.9 million. It was a particularly successful year for annuity business. Annuity considerations increased from £3.3 million to £6.6 million and annuities per annum, including annual premium deferred annuities, were up from £3.4 million to £5.7 million.

**Life Business in Force**  
The total life business in force at 31st December 1976 comprised sums assured and bonuses of £3,052 million, £1,250 million in the industrial branch and £1,802 million in the ordinary branch. A year previously the total was £2,688 million. Annuities and bonuses amounted to £28.0 million compared with £23.5 million.

Combined premium income (including annuity considerations) was £20 million, £68 million in the industrial branch and £52 million in the ordinary branch, compared with £104 million.

Total payments to policyholders in the form of claims, surrenders and annuity payments amounted to £79 million compared with £74 million for the previous year. Surrender payments have increased from a total of £13.3 million to £4.2 million. This arises, not from an increase in the number of policies surrendered, but from an increase in the scale of our surrender values made early last year.

We have not been able to increase the scales back to the level at which they stood before the fall in the stock market in 1974, since it would not be fair to continuing policyholders if those withdrawing were to receive a surrender value which did not reflect the fall in the value of the underlying investments.

In both branches the expense ratios have increased yet again, from 39.26 to 40.51 per cent in the industrial branch and from 32.51 to 34.47 per cent in the ordinary branch. Although we examine critically every item of expense there are some costs which increase automatically with the growth of the business. Increases of the same order as the cost of living were obtained in new business. However, it is impracticable for the total premiums to expand at the same rate at a time when inflation is at the high levels we have seen in recent years. As a large part of our expenses is related directly to new business volume, our expense ratio must therefore inevitably rise. As from 1st April we are to suffer another blow in the form of the 2 per cent impost on pay to be levied as a part of the Chancellor's "economy measures" announced last autumn.

## Overseas Life Business

As my predecessor announced in his report for 1974 we have ceased writing

non-life business in Canada. We have, however, a small life portfolio in that country, having ceased writing new business there in 1963. The two operations had been largely run by the same staff and we considered that it would be difficult to run the life business economically on its own. We have therefore negotiated the sale of the business to Western Life Assurance Company, a Canadian subsidiary of the Bankers Life and Casualty Company, one of the largest companies in the United States.

Recent legislation in South Africa made it necessary for us either to convert our local branch, which writes only life business, to a subsidiary company established under South African law or to dispose of the business to a local office. The size and potential of our business did not warrant establishing a subsidiary company and we therefore decided to accept a favourable offer from the Union National South British Insurance Company Limited to acquire the business. The UNSB is a South African office controlled by the South British Insurance Company Limited of New Zealand. It is one of the largest non-life insurers in South Africa and also has a small life portfolio. Our life business will be a substantial addition to the business of the UNSB. We consider that our policyholders will benefit from the reduced expenses that should result from combining the two sets of business. We are also pleased that UNSB have employed nearly all our South African staff, where redundancies have been involved, the staff concerned have been suitably compensated.

Both of these transfers are effective from 1st January 1977. The arrangements are proceeding smoothly and the results will be reflected in the accounts for 1977.

## Life Valuations and Bonuses

The valuations of the life liabilities have been made on the same basis as for 1975, with the exception of that of the South African business. Under the terms of the sale referred to above, the valuation for sale was to be made under the South African statutory minimum basis. For the sake of consistency, we have used the same basis for our own valuation. Since this basis is less stringent than that previously in use and the transfer of business will not be shown through the accounts until 1977, we have temporarily increased the amount of the additional reserve.

In the ordinary branch the surplus for the year was £213 million, £13 million more than in 1975. We have been able to increase the reversionary bonus rates on United Kingdom policies. We have also declared a supplementary bonus on self-employed deferred annuities, where the policyholder enters upon the annuity during the next year. Although similar in form to our existing terminal bonus, this supplementary bonus serves a different purpose. We have recently replaced our self-employed deferred annuity policy by a new policy on more attractive terms. The supplementary bonus is intended to continue and, in the long run, to make the benefits to policyholders who took our policies before the change comparable with those to policyholders who took them out later.

The bonuses declared for the overseas territories are similar to those for 1975. In the industrial branch the surplus for the year was £9.3 million, £7 million more than in 1975. The reversionary bonuses are at the same rates as for 1975, but the cost is considerably more because of the large amount of 1970 business eligible for bonus for the first time.

The terminal bonuses in both branches are unchanged.

## SHORT-TERM BUSINESS

Worldwide premium income of the Company's general branch amounted to £20.6 million, an increase of £5.2 million (22 per cent) over 1975. There was an underwriting loss of £2.6 million compared

with the 1975 loss of £3.0 million, the comparative revenue class losses for the two years being—

	1976	1975
Property	1.7	1.8
Motor	0.3	0.8
Liability	—	0.4
Other classes	0.2	0.2
Reinsurance treaties	0.4	0.6
	2.6	3.0

Gross investment income amounted to £3.2 million compared with £2.7 million in 1975 giving a net trading surplus for the year of £0.6 million against a net deficit of £0.3 million in 1975.

## United Kingdom

Eighty-seven per cent of our general branch premium income was derived from the UK. Growth at 24 per cent was satisfactory but the results were disappointing, the underwriting loss amounting to £2.3 million or £0.5 million more than in 1975. There was an improvement in the motor, liability and pecuniary loss accounts but the favourable impact of these on the combined results was more than offset by the very poor results of the property account which was badly hit by heavy claims for storm and subsidence damage. Householders' business, which forms a substantial part of our property account, has been under increasing pressure in recent years. Inflation has pushed up claims and servicing costs while widespread under-insurance has kept down the insured values on which premiums are based. The free extensions of cover given by the market in earlier years have increased the range and incidence of claims. This pressure on the account has caused a steady swing away from profitability and the account would have shown a loss even without the additional and heavy load (£1 million) of storm and subsidence claims.

We are increasing our efforts to bring this account back into profitability by introducing new measures to reduce both the degree and the effect of under-insurance. We are also examining ways of simplifying the methods of writing and servicing the business with a view to providing a better service at lower cost.

In the motor account, growth was high at 29 per cent due largely to a rapid expansion of motor cycle business. The underwriting loss at £0.3 million was about half that of 1975. The rapid growth of motor cycle business resulted from (a) a high rate of market growth, (b) an increase in our share of the market, and (c) substantial rate increases that we found it necessary to apply in the latter part of the year. The growth in our share of the market had been encouraged as part of a drive to open doors for new life business but, unfortunately, this coincided with a sharp deterioration in the underwriting results of motor cycle business. The incidence and cost of claims increased dramatically and, despite rate increases, the result for the year was a substantial loss. The account is being closely monitored and further measures are being taken to get it into balance.

There was a net improvement in the underwriting results of the other accounts, the improvement in the liability and pecuniary loss accounts being more than enough to offset a deterioration in the personal accident account.

## Overseas

Following our withdrawal from Australia, Canada (where the run-off of our business is proceeding satisfactorily) and New Zealand, our direct overseas interests are limited to branches in Central Africa and Portugal and a number of a few countries. Together they contributed 8.5 per cent of our premium income.

Branch results in Central Africa and Portugal were very good. Both branches operated in difficult conditions and the successful outcome was a commendable achievement by the management and staff.

Agency premium income increased by 16 per cent but the results deteriorated as the account was a loss of £0.1 million. This was due mainly to very poor claims experience in Holland. Results were very good in France and Greece and mixed in the other territories.

## Reinsurance Treaties

The results of business accepted under reinsurance treaties were better

than those of 1975 but they were still poor with an underwriting loss of £0.4 million. This arose largely from the run-off of one very unprofitable account.

## Marine Aviation and Transport

There was substantial premium growth, derived in large measure from the higher rate of conversion for premiums in foreign currency. The business is still under pressure from inadequate premium rates and the rising cost of claim settlements. The 1974 account was closed at the end of 1976 with an underwriting loss and, to maintain the strength of the fund, £0.1 million has been transferred from the profit and loss account.

## Subsidiary Companies

We have three subsidiary companies (in the USA, Portugal and Brazil). The first two are predominantly investments of the long-term fund but the last is a stockholders' investment. The combined premium income of the three amounted to £2.2 million against £1.5 million in 1975.

The "Monarch of Ohio" reduced its underwriting loss from the high level of 1975 and registered a small trading surplus after crediting investment income and realised capital gains. There was a reference in last year's report to the cancellation of a number of contracts in the "pools and associations" sector of the company's business. Heavy losses under the run-off of some of these contracts were reflected in the 1976 results and although the run-off will take some time to complete, the losses should diminish. Other measures have been taken to improve the company's trading performance and the prospects for 1977 are more promising.

Provisional figures for the "Portugal" indicate a substantial improvement on the 1975 trading loss of £0.1 million.

"Monarch" in Brazil had an exceptionally good year with an underwriting profit of £0.2 million and a trading profit of £0.6 million. This easily topped what had been a good and rising record in previous years but we cannot reasonably look to continued profits growth in 1977. Market conditions are hardening and some reduction in margins is certain.

## THE BULLOCK REPORT

### UNION-NOMINATED DIRECTORS

To deal fully with all the arguments which arise on this subject is impossible in a statement such as this, but some reference must be made to a matter of such importance. At a time when the managers of industry and commerce are surrounded by so many frustrations and uncertainties arising from the country's economic situation and when re-establishment of confidence is imperative, I find it astonishing that Government should wish to inject this massive new uncertainty which must divert minds from the really crucial matters. The contention that the Bullock majority proposals are so vital as to call for their early imposition by law upon employers becomes decidedly suspect when those same proposals leave the unions concerned in each case free to opt out of the system, simply by not exercising their sole right to initiate the necessary procedures.

As to the proposals themselves, your Board supports fully the attitude of the CBI. The proposals would not lead to a smoother and more efficient operation and this is the basis upon which they should be judged. In this Company we have for many years, and well in advance of any obligation to do so, been developing consultation and participation procedures with the staff and we would want this to continue. However, within every organisation there must be a place where minds of appropriate training and experience can be concentrated upon how best to achieve the progress of the business, upon which everything else, including staff welfare, depends. There must also be a place where union representatives can discuss and negotiate upon proposals which affect staff interests. The Bullock majority proposals would inevitably confuse these two functions around one table and this, although not intended to do so, would lead to groups and voting blocs within boards, inhibiting the independence of attitude required of directors. I should add that in a life assurance company there are not two, but three, parties interested in profitability and its distribution. These are the policyholders, the stockholders and the staff. Your Board regards the holding of a balance between the interests of all three as one of its main duties.

As an insurance company we are a major investor and we therefore have an interest in these proposals as a shareholder as well as an employer. We have invested large sums in British industry, mostly on behalf of our policyholders. Most of that is in the major firms of the country, those employing more than 2,000 people. Although we are normally happy to leave the professional management to run the business on our behalf, we have always invested in the knowledge that the body of shareholders, who have provided the necessary capital, has the ultimate control over the board. Now it is proposed that, while they may still have the nominal ownership, they will no longer be able to act to protect their property. I can think of no other step so likely to deter the investment which is so necessary to the country.

It is to be hoped that it will be realised that the country is in no position to risk conducting such extreme experiments as the Bullock majority proposals and that these proposals will not be pursued.

## NATIONALISATION AND CONTROL OF INVESTMENTS

The National Executive Committee of the Labour Party has proposed the nationalisation of seven of the largest

insurance companies. Your company is not among the seven in question but we oppose this proposal just as strongly as if it were. We are confident of our ability to compete with any nationalised office but we believe that the nationalisation of a few offices would soon be followed by the nationalisation of others or of the whole insurance market. This can be good neither for the country nor for investors nor for policyholders. The seven companies proposed for nationalisation include those with most overseas business. They are large contributors to the favourable balance which the country achieves on invisible earnings. Nationalisation will make foreign nationals unwilling to insure with them. In some cases, they may even be unable to do so because of local legislation. The profits from this business will therefore be lost to the country. Experience overseas has shown that nationalisation results neither in lower premiums nor in higher benefits for the policyholder.

The nationalisation proposals have been disowned by the Prime Minister. It seems probable that their disadvantages are so manifest that they are unlikely ever to be taken up by any government. The same document, however, proposes the control of insurance companies' investments. I fear that there is more danger that these proposals may result in legislation, possibly under the impression that they are an acceptable compromise. Any such legislation would, of course, affect your Company directly. The achievement of British insurance, both in competition for non-life insurance around the world and as a medium of saving within this country, has been one of the nation's outstanding successes. One reason for this success has been the freedom of insurance companies to invest in the interests of their policyholders. Nevertheless, within this general objective, we have always been ready to take part in specific proposals by the Government to invest in the national interest. It has been suggested that the present state of the British economy is due to the unwillingness of institutions such as ourselves to invest in British industry. This is quite untrue. On the part of the financial institutions there is no lack of willingness to provide finance for industry, provided that the interests of savers are not prejudiced by a low or unsafe return. It is industry itself which is reluctant to raise money on such terms. This is entirely understandable in circumstances where the return that industry is able to earn is insufficient to reward adequately the capital raised. It is to be hoped that the Wilson Committee will set the record right in this respect.

If proposals for control of investment mean anything in current circumstances, they appear to suggest that insurance companies should be compelled to invest in industrial companies which are not those that they would otherwise select, that is to say, those which are unable to offer an adequate return or where the safety of the investment is in doubt. Such proposals cannot be in the interests of our policyholders or of the country. If we were compelled to do this, the public would soon realise that they were no longer receiving a fair return on their savings and would turn to other forms of investment.

## LIFE ASSURANCE PREMIUM RELIEF

The tax relief given, within statutory limits, to those who save through the medium of life assurance has long been part of the fiscal scene in this country. This provision has encouraged saving and enabled breadwinners to protect their families on a greater scale than they might otherwise have done. The relief has, until now, been given by an adjustment in the PAYE coding or the tax assessment. In the Finance Act, 1976, provision has been made for the relief to be given from 1979 by the policyholder deducting tax relief from the premium at the time that it is paid.

This change has, we understand, been made with the praiseworthy intention of a reduction in the numbers of the staff of the Inland Revenue. It will, of course, entail additional work in insurance offices without recompense. Having said so much, we have been impressed by the willingness of the Inland Revenue to consider the special position of policyholders in the industrial branch and to make exceptional arrangements in order to overcome the practical difficulties arising from the collection of many small premiums in the home. There are advantages for our policyholders in that many who have hitherto not been entitled to, or have not claimed, tax relief will receive it in the future either in that form or in the form of additional benefits under their policies. There are many difficulties to be overcome but I think that, rightly handled, this change may prove to be of great advantage to the life offices operating in the industrial branch and to their policyholders.

## INVESTMENTS

The balance sheet shows separate figures for the long-term, short-term and stockholders' funds. The long-term business dominates the scene and these

comments deal mainly with the figures for the Company, as a whole, but a detailed breakdown by categories of investment and as between the funds is given in the accounts.

Total assets of the Company at balance sheet value rose by £81 million to £917 million after writing up the equity and property portfolios by £4.96 million and £1.65 million respectively (in each case net of tax provision).

Gross investment income increased by £22 million to £81 million.

At the year end short-term deposits in the United Kingdom amounted to £916 million compared with £804 million the year before. Of such deposits £4 million related to the long-term business and represented 1.6 per cent of the assets of the long-term funds.

During the year the gilt-edged portfolio was increased by over £28 million following the previous year's increase of some £25 million. Gross advances under house purchase mortgages totalled £12 million, with net lending amounting to £5 million.

Net equity investment, largely in United Kingdom shares, continued to be substantial and amounted to over £39 million of which some £7½ million financed industrial and commercial companies raising capital through rights issues. Thus in the last two years more than £15 million of new equity capital has been provided to UK companies.

Net investment in property has amounted to nearly £7 million and the forward programme at the year-end stood at £5½ million. Both these figures are quite small, reflecting the uncertainty of the property market and the very low level of development now taking place.

The yields on the life funds were 9.69 per cent (1975-8) in the ordinary branch and 9.74 per cent (1975-8) in the industrial branch.

In our belief, well-diversified investment in equities of sound companies has inherent strength and good prospects of protecting value in real terms. It is of prime importance that the productive sector, on which the standard of living depends, should achieve satisfactory profits if it is to function for the general benefit. The uncertainties which always surround the future make it necessary to balance the portfolio with fixed interest investments. In recent years interest rates have been historically high but inflation rates have been even higher. A very substantial slowing down of future inflation is essential if lower interest rates are to be justified.

A large proportion of policyholders' savings and of savings for pensions is invested in British industry. It is difficult to see a cogent case for limiting dividend payments which constitute the natural financial return to the individual who has saved for the future by investing in the productive basis of the country.

## PROFIT AND LOSS ACCOUNT

The mainstay of the profit and loss account is the transfers from the long-term funds. These amount to £3,956,000, as against £3,582,000. This year there is also a transfer of £567,000 from the general branch account but it has been necessary to transfer out £100,000 to the marine, aviation and transport account.

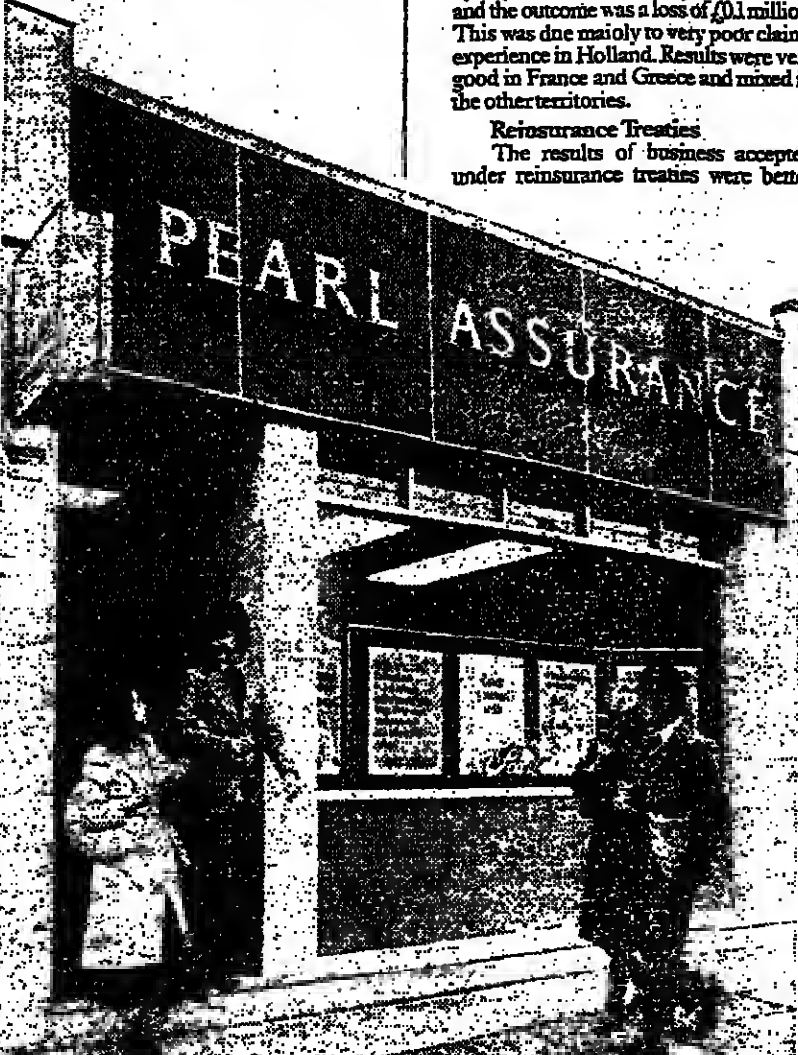
Investment income on stockholders' funds for the year is £217,000. After allowing for other income, expenses and taxation, the net profit for the year is £4,721,000. Of this, £250,000 has been appropriated to the general branch reserve fund in order to improve the strength of the reserves available to cover any exceptional adverse claims in this branch.

It will be observed that the recommendation as to final dividend in the Directors' Report takes an unusual form this year. The statutory limitation on dividends is calculated by reference to the gross equivalent of the dividend. The purpose of the recommendation is to maintain the maximum permitted increase if there is a reduction in the basic rate of income tax to 33 per cent as contemplated by the Chancellor of the Exchequer in his Budget statement. The effect of the recommendation is that if the basic rate of income tax remains at 35 per cent the dividend will be 7.4177p; if it is reduced to 33 per cent the total dividend will be 7.6459p. The cost of such additional payment would be £82,566.

## TRIBUTE TO THE STAFF

In common with the rest of the country, our staff have had another difficult year. Our field staff have had the hard task of maintaining the flow of new business in conditions that might well deter the prospective policyholder. They have, however, had the opportunity to increase their earnings through commissions. Our office staff have had to bear the full brunt of pay restrictions and those in senior appointments in particular have seen their living standards sharply eroded. I should like to end by expressing thanks to all staff for their continued efforts on your behalf.

The Annual General Meeting of the Company will be held on May 25th at 12 noon at the Registered Office, High Holborn, London WC1V 7EB.



Home Service Insurance with over 450 District Offices throughout the United Kingdom.



Pearl Assurance Co. Ltd.  
Registered in England (1419C), Registered Office: High Holborn, London WC1V 7EB.



## KRAFT PRODUCTIONS LIMITED

## Final Statement

The Directors of Kraft Productions Limited announce audited profits before taxation of £50,079 for the year ended 31st December, 1976.

The final proposed dividend of 0.555p per share will be paid on 27th May, 1977 and is equivalent with addition of the related tax credit to a gross distribution of 0.9p per share. This, together with an interim dividend of 0.8125p gross equivalent 1.25p per share, makes a total of 1.3675p per share which is equivalent with the addition of the related tax credit to a gross distribution of 2.15p per share.

Accounting Period	Year ended 31.12.76	Year ended 31.12.75
Group Turnover	£1,143,147	£1,215,655
Group Profit after all charges excluding Taxation	£ 50,079	£ 73,701
Taxation	£ 25,079	£ 49,679
Group Profit after Taxation	£ 25,001	£ 24,022
Dividend Gross equivalent per share	1.25p	1.25p
Interim	0.8125p	0.8125p
Proposed Final	0.9p	0.9p
Amount absorbed by Dividend	£ 13,975	£ 13,975

## To the Holders of

## Argentine Republic

## Floating Rate Notes 1977

In accordance with the provisions of the above Notes, Bankers Trust Company, as Fiscal Agent therefor, has established the Rate of Interest on such Notes for the semi-annual period ending October 31, 1977 as eight and one-quarter percent (8 1/4%) per annum. Interest due on such date will be payable upon surrender of Coupon No. 14.

Dated: May 3, 1977

Bankers Trust Company,  
Fiscal Agent

## ALWEN HOUGH JOHNSON

## (HOLDINGS) LTD.

announce the formation of a new subsidiary from 1st May 1977:

## HOLMES JOHNSON LESSITERS LTD.

This company will specialise in bankers and ancillary insurances.

## SHARE DISCLOSURES

## More U.K. stakes for KIO

FURTHER holdings in U.K. companies were disclosed yesterday by the Kuwait Investment Office. The KIO holds 9.83 per cent. of two companies, Anderson Strath & Young and Canadian Foreign Investment Trust. The stake in Anderson amounts to 3,145,000 Ordinary shares, and that in the investment trust to 665,000 of the Ordinary.

The KIO also holds 970,000 of the Ordinary shares of Scottish Overseas Investment Trust, representing 7.02 per cent. Guardian Royal Exchange Assurance Group has 17.70 per cent. of the 3 per cent. Cumulative Preference shares, or 90,000 shares.

Simpco Engineering: Eagle Star Ins. Co. holds 60,000 6 per cent. cum. pref. shares (6.3 per cent.). RTZ: Phoenix Ass. Co. holds 307,500 "B" pref. shares (19.78 per cent.) and Guardian Royal Exchange Ass. Co. holds 384,175 "B" pref. shares (12.22 per cent.).

Leda Investment: Telford Lawson High Yield Fund holds 240,000 income shares (5.5 per cent.) and Practical Investment Co. holds 200,000 capital shares (6.1 per cent.).

Wyndham Engineering Co.: British Empire Secs. and General Tst. beneficially holds 40,000 Ordinary shares (6 per cent.).

Firmen and Sons: Midland Tst. holds 108,000 Ordinary shares (8.3 per cent.).

Ladies Prides Outwear: Mr. F. L. Fullford holds 262,369 Ordinary shares (5.87 per cent.). Guest Keen and Nettelfolds: Sir Douglas Bruce-Gardner, a deputy chairman, has exercised his right to take up 573 shares in accordance with terms of the Rights issue.

A. J. Worthington (Holdings): S. G. Worthington, a director, holds 114,850 (including family interests) (13.73 per cent.). Mrs. M. B. Worthington holds 124,000 (6.3 per cent.) and Mrs. M. E. V. Gibson holds 111,000 (3.55 per cent.) Ordinary shares.

Percy Sifton: Glenhazel Investment Trust holds 12,931,895 Ordinary shares (34.46 per cent.) and Percy Sifton Charity holds 2,248,000 Ordinary Shares (6.28 per cent.).

T.P.T.: Mrs. D. Tydesley holds 850,000 Ordinary shares (5.32 per cent.). Estates Duties Investment Trust: I.C.F.C. Group holds

6,127,169 (41.84 per cent.) shares. Company has also been notified of the following directors' holdings—The Rt. Hon. Lord Seebohm, 1,100 beneficially, EFG Felsen, 988 beneficially, D. A. Reid, 6,421 beneficially and 1,361 as a trustee, and J. F. Turner, 3,630 beneficially.

A. Gallenkamp and Co.: Prudential Assurance Group holds 405,400 (6.2 per cent.) Ordinary shares.

Pentland Industries: Robert Stephen Holdings holds 5,077,532 (52.67 per cent.) Ordinary shares. British Syphon Industries: James Edward Barclay, managing director, owns 220,046 Ordinary and his wife, Margaret, owns 204,046. These two together represent 7.9 per cent. Industrial and Commercial Finance Corporation own 608,873 Ordinary, 11.1 per cent. Second Alliance Trust Company owns 5 per cent. of the Preference, Wesleyan and General Assurance 16.5 per cent. and British Empire Securities and General Trust, 3 per cent.

Gomme Holdings: Directors' holdings—Mr. H. N. Spoorb holds 8,860 Ordinary shares beneficially, Mr. D. L. Gomme holds 909,254 Ordinary, beneficially and 319,230 Ordinary shares and 5,000 preference shares as a trustee. Mr. G. F. Gomme holds 1,049,024 Ordinary shares beneficially, 1,795,000 Ordinary shares and 53,000 Preference shares as a trustee. Mr. D. G. Owen holds 7,890 Ordinary shares and 100 Preference shares all beneficially.

Brenner and Company: Scottish Amicable Life Assurance Society holds 307,500 Ordinary shares (5.34 per cent.). United Dominions Trust: Eagle Star Insurance Company holds 70,000 3.15 per cent. Pref. stock (7 per cent.).

I. Barget: ITC Pension Trust holds 2,000 Ordinary shares. Van Diemen's Land Company: J. A. Todhunter, a director, holds 68,200 shares, E. Ritchie, a director, holds 29,037 shares, N. F. Ryland, a director, holds 2,000 shares (non-beneficially), G. W. Beckett, a director, holds 2,212 shares, B. Basler holds 40,000 shares.

Scott and Robertson: Mr. J. R. Scott, a director, together with his wife holds 5.23 per cent. of the Ordinary shares. Northwest Robt. Romney holds 327,500 Ordinary shares (5.5 per cent.) and Bishopvale holds 631,957 Ordinary shares (6.86 per cent.).

Courts (Furnishers): Mr. R. W. Jefeate holds 300 Ordinary shares, 4,301 "A" Ordinary shares and is also entitled to subscribe for 14,850 "A" Ordinary shares under terms of company's employee share option scheme.

## Kneeman Industrial Holdings:

Marks and Spencer Pension Trust holds 308,000 Ordinary shares (6.8 per cent.).

Martinson International: Mr. M. S. Gibb has a non-beneficial interest as a trustee of a trust holding 555,341 shares and is also a trustee of two other trusts holding respectively 240,018 and 44,818 shares. Mr. A. G. Cheston has non-beneficial interests as a trustee of three trusts holding respectively 444,819, 123,386 and 54,034 shares. Mr. Cheston and his family also have a beneficial interest in a total of 2,337 shares.

West of England Trust: Electra Investment Trust holds 1,050,000 Ordinary shares (6.9 per cent.).

United Guarantees (Hilg): Essex Group Holdings has acquired 10,000 stock units increasing their holding to 146,066 (17.24 per cent.).

Caityns: Lady Annie Caityns holds 245,069 Ordinary shares (part non-beneficial). Lady Delphine Caityns holds 167,296 Ordinary shares (part non-beneficial) and Mr. G. W. Davies holds 400,000 Ordinary shares (all as trustee and non-beneficial). 300,000 of the above shares are shown twice as they are held by joint trustees.

Caityns Family Holdings holds 2,000,000 2nd Preference shares. Jenks and Cattell: Britannic Assoc. Company holds 133,333 Ordinary shares (7.37 per cent.). House of Fraser: Fraser Foundation, of which Sir Hugh Fraser is a trustee, has acquired a further 50,000 Ordinary shares.

Hardys and Hanson: Loyds Bank Retirement Benefit Schemes holds 200,000 Ordinary shares (15 per cent.) in the name of J. Loyds Bank (S.F.) Nominees.

Van Diemen's Land Company: J. A. Todhunter, a director, holds 68,200 shares, E. Ritchie, a director, holds 29,037 shares, N. F. Ryland, a director, holds 2,000 shares (non-beneficially), G. W. Beckett, a director, holds 2,212 shares, B. Basler holds 40,000 shares.

Scott and Robertson: Mr. J. R. Scott, a director, together with his wife holds 5.23 per cent. of the Ordinary shares.

Northwest Robt. Romney holds 327,500 Ordinary shares (5.5 per cent.) and Bishopvale holds 631,957 Ordinary shares (6.86 per cent.).

Lyons and Lyons: Tees Towing Co. beneficially holds 247,671 Ordinary shares (5.5 per cent.). Mr. R. C. Lyons and Co. Guardian Royal Exchange Assurance Group holds 88,000 5 per cent. First Cum. Pref. stock (5.86 per cent.).

Drummond and Sons: Investment Trust: Guardian Royal Exchange Assurance Group holds 39,000 5 per cent. Cum. Pref. stock (9.176 per cent.).

Drayton Consolidated Trust: Guardian Royal Exchange Assurance Group holds 217,000 2.8 per cent. Cumulative Preference Stock (7.14 per cent.) and 123,150 3.5 per cent. and 5 per cent. Cumulative Preference Stock (6.99 per cent.).

Drayton Premier Investment Trust: Guardian Royal Exchange Assurance Group holds 532,000 Preference Stock (14.81 per cent.).

Broadstone Investment Trust: Guardian Royal Exchange Assurance Group holds 540,000 3.85 per cent. Cumulative 2nd Preference Stock 8 per cent. and Eagle Star Group holds 500,000 5 per cent. Cumulative 2nd Preference Stock (6 per cent.).

Continental and Industrial Trust: London and Manchester Assurance Company holds 338,500 3.55 per cent. Cumulative Preferred Stock (8.8 per cent.). Phoenix Assurance Company holds 275,000 5 per cent. Cumulative Preferred Stock (7.5 per cent.) and Eagle Star Group holds 580,000 5 per cent. Cumulative Preferred Stock (6 per cent.).

J. W. Spear and Sons: Mr. F. A. Spear, a director, has disposed of 2,000 Ordinary shares.

Highways: Mr. Phillips, a director, beneficially holds 558,000 Ordinary shares (9.26 per cent.). Tube Investments: Dr. J. Sawhill, a director, has sold 23,339 Ordinary shares.

London Smelters Plantations: Rothschild Investment Trust holds 1,329,800 Ordinary shares (9.6 per cent.).

Malayan Plantations: Rothschild Investment Trust holds 2,650,000 (9.749 per cent.) shares. Tebbitt Group: Mr. E. R. Bridges, a director, has sold his holding of 11,071 shares.

Australian and International Trust: Trustees of The Post Office Staff Superannuation Fund hold 330,000 Ordinary shares.

Border and Southern Stockholders Trust: Trustees of The Post Office Staff Superannuation Fund hold 150,000 Convertible Ordinary shares.

American Trust: Trustees of The Post Office Staff Superannuation Fund hold 385,000 "B" Ordinary shares.

CLRP Investment Trust: Trustees of The Post Office Staff Superannuation Fund hold 1,385,000 Ordinary shares.

Electric and General Investment Company: Trustees of The Post Office Staff Superannuation Fund hold 1,808,373 Ordinary shares.

John Beales Associated Companies: Imperial Staff Pension Fund are the beneficial owners of 240,750 shares (6.28 per cent.). R. C. Tongue and C. W. E. Morton, as trustees of J. A. Abbott, deceased, hold 228,677 shares (6.21 per cent.). Mr. R. G. Littlefair, a director, held beneficial interests at March 19, 1977, in 101,214 shares, and other interests 188,370 shares. Mr. M. H. Littlefair, also a director, at March 19, 1977, held beneficial interests in 64,000 shares—since increased by 5,000 shares—and other interests 46,370 shares.

Certain of the other interests of Messrs R. G. and M. H. Littlefair include the same shares more than once in relation to trusts. Messrs R. G. and M. H. Littlefair are taking professional advice about possible disclosure of further interests.

York Trust: Mr. William Shand Kynd holds 330 shares. The company is already aware that Maurice James Holdings holds 1,340,000 shares and Mr. H. A. Bainbridge and his family interests hold 959,094 shares.

Investment Trust: Guardian Royal Exchange Assurance Group beneficially holds 216,900 5 per cent. Cumulative Preference Stock (5.63 per cent.).

Sanderson Murray and Elder (Holdings): Mr. P. L. Hamilton Smith holds 171,221 shares (58.428 beneficially and 112,783 as a trustee) (9.01 per cent.). Illingworth Morris and Co. holds 138,000 shares (7.5 per cent.).

Geo. G. Sanderson Sons and Co.: Mr. T. W. Sandeman announces that the trustees of his family settlement which was dated June 23, 1937, and was to

## No bid for Bowthorpe

A DISPOSAL of 225,000 shares in Bowthorpe Holdings, the electricals group which designs, manufactures and sells components for the electronics, telecommunications and electricity supply industries, has been made by Mr. J. Bowthorpe, the chairman. The sale is accompanied by a further disposal of 42,900 shares on behalf of a trustee Mr. G. Bastians, a director of Bowthorpe. The disposals come at a time when gossip has been rife about a possible take-over for the group. However, such rumours have always been rejected by the company.

Mr. Bowthorpe denied yesterday that there was anything significant about the 225,000 sale, adding that he had been advised at the age of 72, he should hold more of his assets in liquid form. His personal holding has been reduced over a period of some months from around 1m. shares to 271,767 per cent.

He stressed that no approaches had been received by Bowthorpe and that "business was municipal".

Municipal Properties: Equitable Life Assurance Society beneficially holds 46,231 Ordinary shares (9.53 per cent.).

Scottish Eastern Investment Trust: Prudential Assurance Co. holds 3,180,846 Ordinary shares (6.02 per cent.).

Canadian Investment Co.: Pentland Investment Trust holds 70,000 shares (6.22 per cent.) and Scottish Eastern Investment Trust holds 93,000 (8.27 per cent.).

Western Canada Investment Co.: Refuse Assurance Co. holds 30,000 Ordinary shares (7.5 per cent.).

AGB Research: Has been informed of the following beneficial holdings in its Ordinary shares by directors—Mr. G. B. Audley, 505,274 (16.1 per cent.), Mr. R. C. Lyons, 500,145 (8.0 per cent.) and Mr. O. A. Brown, 425,441 (6.88 per cent.).

British Electronic Controls: Mr. S. J. Tibcomb holds 297,500 Ordinary shares (7.81 per cent.) and Mr. R. C. Lyons and Co. Guardian Royal Exchange Assurance Group holds 88,000 5 per cent. First Cum. Pref. stock (5.86 per cent.).

Drummond and Sons: Investment Trust: Guardian Royal Exchange Assurance Group holds 39,000 5 per cent. Cum. Pref. stock (9.176 per cent.).

Drayton Consolidated Trust: Guardian Royal Exchange Assurance Group holds 217,000 2.8 per cent. Cumulative Preference Stock (7.14 per cent.) and 123,150 3.5 per cent. and 5 per cent. Cumulative Preference Stock (6.99 per cent.).

Drayton Premier Investment Trust: Guardian Royal Exchange Assurance Group holds 532,000 Preference Stock (14.81 per cent.).

Broadstone Investment Trust: Guardian Royal Exchange Assurance Group holds 540,000 3.85 per cent. Cumulative 2nd Preference Stock 8 per cent. and Eagle Star Group holds 500,000 5 per cent. Cumulative 2nd Preference Stock (6 per cent.).

Continental and Industrial Trust: London and Manchester Assurance Company holds 338,500 3.55 per cent. Cumulative Preferred Stock (8.8 per cent.). Phoenix Assurance Company holds 275,000 5 per cent. Cumulative Preferred Stock (7.5 per cent.) and Eagle Star Group holds 580,000 5 per cent. Cumulative Preferred Stock (6 per cent.).

J. W. Spear and Sons: Mr. F. A. Spear, a director, has disposed of 2,000 Ordinary shares.

Highways: Mr. Phillips, a director, beneficially holds 558,000 Ordinary shares (9.26 per cent.). Tube Investments: Dr. J. Sawhill, a director, has sold 23,339 Ordinary shares.

London Smelters Plantations: Rothschild Investment Trust holds 1,329,800 Ordinary shares (9.6 per cent.).

Malayan Plantations: Rothschild Investment Trust holds 2,650,000 (9.749 per cent.) shares. Tebbitt Group: Mr. E. R. Bridges, a director, has sold his holding of 11,071 shares.

Australian and International Trust: Trustees of The Post Office Staff Superannuation Fund hold 330,000 Ordinary shares.

Border and Southern Stockholders Trust: Trustees of The Post Office Staff Superannuation Fund hold 150,000 Convertible Ordinary shares.

American Trust: Trustees of The Post Office Staff Superannuation Fund hold 385,000 "B" Ordinary shares.

CLRP Investment Trust: Trustees of The Post Office Staff Superannuation Fund hold 1,385,000 Ordinary shares.

Electric and General Investment Company: Trustees of The Post Office Staff Superannuation Fund hold 1,808,373 Ordinary shares.

John Beales Associated Companies: Imperial Staff Pension Fund are the beneficial owners of 240,750 shares (6.28 per cent.). R. C. Tongue and C. W. E. Morton, as trustees of J. A. Abbott, deceased, hold 228,677 shares (6.21 per cent.). Mr. R. G. Littlefair, a director, held beneficial interests at March 19, 1977, in 101,214 shares, and other interests 188,370 shares. Mr. M. H. Littlefair, also a director, at March 19, 1977, held beneficial interests in 64,000 shares—since increased by 5,000 shares—and other interests 46,370 shares.

Certain of the other interests of Messrs R. G. and M. H. Littlefair include the same shares more than once in relation to trusts. Messrs R. G. and M. H. Littlefair are taking professional advice about possible disclosure of further interests.

York Trust: Mr. William Shand Kynd holds 330 shares. The company is already aware that Maurice James Holdings holds 1,340,000 shares and Mr. H. A. Bainbridge and his family interests hold 959,094 shares.

Investment Trust: Guardian Royal Exchange Assurance Group beneficially holds 216,900 5 per cent. Cumulative Preference Stock (5.63 per cent.).

Sanderson Murray and Elder (Holdings): Mr. P. L. Hamilton Smith holds 171,221 shares (58.428 beneficially and 112,783 as a trustee) (9.01 per cent.). Illingworth Morris and Co. holds 138,000 shares (7.5 per cent.).

Geo. G. Sanderson Sons and Co.: Mr. T. W. Sandeman announces that the trustees of his family settlement which was dated June 23, 1937, and was to

the name of himself and two others have transferred 11,015 Ordinary shares each out of the name of the trustees into the name of one of the beneficiaries under the trust.

Letrasat International: J. G. Davies, a director, has sold between April 22 and April 29 40,000 shares.

W. Goodkind and Sons: ITC Pension Investments holds 50,000 Ordinary shares.

Holt Lloyd International: M. O. Penney holds 230,110 Ordinary shares and R. E. Plummer holds 554,110 Ordinary shares.

Blumau, a director, holds beneficially 100,000 Ordinary shares and as a trustee 350,594 Ordinary shares, a total of 450,594 Ordinary shares (9.27 per cent.) as a trustee. Mrs. M. Lohbenberg beneficially holds 51,508 Ordinary shares and 461,845 as a trustee, a total of 513,353 Ordinary shares (10.27 per cent.). Mr. J. Lohbenberg holds 271,673 (13.58 per cent.) Ordinary shares as a trustee. Lohwi Corporation (Incorporated in U.S.) holds 333,350 (16.67 per cent.) Ordinary shares. 100,000 (2 per cent.) Ordinary shares and Pension Funds Securities holds 52,500 Ordinary shares (5.3 per cent.).

Provident Financial Group: Company has been informed of the company's and subsidiary holdings in the following companies—Ordinary share capital—E. Batt, 2,000, Lord Chelmer, 4,329, S. Davenport, 60,178, E. Davies, 2,221, P. R. Down, 12,287, A. M. Edwards, 24,897, N. T. A. Greenwood, 128,409, E. C. Hogg, 1,000, J. Hutchinson, 30,477, S. Ince, 366, A. Jay, 1,471, D. Lowden, 3,334 and P. A. Murphy, 6,000. E. Davies also has an option on 1,113 shares and P. R. Down has an option on 2,778 shares.

CCH Investment's holding of Scottish Amicable Assurance Society shares read 390,000 shares not 90,000.

A. and J. Mucklow Group: Company has been informed of the following directors' (beneficial and family) interests—A. Mucklow (Pension Fund) 700,421 (8 per cent.) and J. Mucklow 797,875 (9 per cent.). Mrs. M. A. P. A. Davis, a director, announces that his family holds a total of 3,725 shares (12.23 per cent.).

Peninsular and Oriental Steam Navigation Co.: Phoenix Assurance Co. holds 330,000 Preferred stock (8.97 per cent.) and Guardian Royal Exchange Group holds 216,900 Preferred stock (approximately 5 per cent.).

Bullough: Anglo-International Investment Trust holds 320,000 (3.27 per cent.) shares and L. Blough holds 449,908 (7.2 per cent.) shares.

Rank's Hovis McDougall: Mr. J. Rank and Mr. J. D. Hutchinson, co-trustees of a benevolent trust, have sold 230,000 First Preference shares held by the trustees of the Rank Benevolent Trust No. 3.

Wolverhampton and Dudley Breweries: Mr. C. E. Guinness, a King, a director, has disposed of 4,000 Ordinary shares and now owns 25,995 (0.0628 per cent.) Guinness has recently transferred Ordinary shares.

Winterbottom Trust: Eagle Star Group holds 40,000 5 per cent. Cumulative Preference shares (6.07 per cent.) and London and Manchester Assurance Company holds 248,399 Ordinary shares (5.3 per cent.).

CSC Investment Trust: London and Manchester Assurance Company, together with its subsidiary Welfare Insurance Company, holds 83,300 Ordinary shares (5.933 per cent.) and the Moor-side Trust holds 140,000 Ordinary shares (9.97 per cent.).

London and Scottish Marine Oil Company: Mr. D. F. G. Seaton, a director, has purchased 28 Ordinary shares.

Western Brothers: Galley Nominees holds 85,500 Ordinary shares (3.62 per cent.).

Mid-Kent Water Company: Refuge Assurance Company holds 25,000 3.85 per cent. (5.4 per cent.) stock. 1,851.83 (22 per cent.)

Scottish United Investors: Low don Indemnity and General Insurance Company holds 130,000 5 per cent. Cumulative Preference stock (6.21 per cent.).

Costs Patrons: Mr. W. D. Coats, a director, announces that his trustee holdings were reduced by 4,935 Ordinary shares on transfer to beneficiary.

Armour Trust: Mr. P. R. Bond, a director, has purchased 10,000 Ordinary shares.

Sararova Tea Holdings: C. G. Manktelow holds 3,500 5 per cent. Cumulative Preference shares (12.11 per cent.).

Barratt Developments: L. A. Barratt holds 1,457,598 shares. This includes the holdings of Mrs. D. Barratt.

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Sararova Tea Holdings: C. G. Manktelow











These particulars are issued in compliance with the requirements of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Bucknall Trust Limited ("the Company") following the offer by Brenner Holdings Limited ("Brenner") for the listed share capital of the Company and are not an invitation to any person to subscribe for or purchase any shares in the Company.

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in relation to the Company and its subsidiary, Brenner Finance Limited, (together referred to as "the Group") and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in these particulars in relation thereto misleading.

Application has been made to the Council of The Stock Exchange for all the issued ordinary shares in the Company to be admitted to the Official List.

# BUCKNALL TRUST LIMITED

(Incorporated in England under the Companies Act 1963 to 1976 No. 24650)

**Share Capital**  
**Authorised**  
 £1,000,000 divided into 4,000,000 Ordinary Shares of 25p each

**Issued fully paid**  
 £600,000

Except for intra-Group transactions, the Group does not have any outstanding mortgages, debentures, loan capital, bank overdrafts or similar indebtedness, hire purchase commitments or guarantees, or material contingent liabilities.

**Directors**  
 Erwin Brecher, Chairman  
 North Gate  
 24 Albany Road  
 London NW8  
 Lord Pender of Portland  
 North Court  
 Tilmanstone, Kent  
 Michael John St. George Kelton  
 Pipers Well  
 Chert, Farnham  
 Surrey

**Secretaries and Registered Office**  
 David Michael Geoffrey Welch, Solicitor  
 24 Austin Friars  
 London EC2  
 Russell Edgar Collin-Jones  
 8a Canberra Road  
 London SE7  
 Michael Eric Stephen William Brecher, I.L.B.  
 64 Embury Farm Way  
 East Molesey  
 Surrey

**Brokers**  
 Borge & Co  
 25 Woburn Street  
 London EC2 and The Stock Exchange

**Bankers**  
 Midland Bank Limited  
 Poultry  
 London EC2  
 Registrars and Transfer Office  
 Midland Bank Limited  
 Registrars Department  
 Courtwood House  
 Silver Street Head  
 Sheffield, Yorkshire

**Solicitors**  
 Jacques & Co  
 2 South Square  
 Gray's Inn  
 London WC1  
**Auditors**  
 Deloitte & Co, Chartered Accountants  
 128 Queen Victoria Street  
 London EC4

**General**  
 On 18th March 1977, being the closing date of the offer made by Brenner on 28th February 1977 of 25p for each of the issued ordinary shares in the Company not already owned by it, the offer was accepted by 1,000,000 ordinary shares which together with the 1,000,000 ordinary shares owned by Brenner represented 50 per cent. of the issued share capital of the Company. The Company is now a subsidiary of Brenner Holdings Limited.

Pursuant to arrangements made by Brenner with Borge & Co, Borge & Co. has placed 800,000 of the ordinary shares received under the offer at a price of 50p per share. Brenner is therefore interested in 1,400,000 ordinary shares in the Company representing 70 per cent. of the issued share capital.

Brenner has informed the Company that it intends to retain a substantial interest in the Company but that it has no intention at present of increasing its interest in the Company.

The Company was incorporated on 28th September 1966 under the name "Brenner Bucknall & Sons, Limited" and carries on, and will continue to carry on, the business of an investment trust.

**Management**  
 Since the closing of the offer the following have been appointed to the Board of the Company and are now the only directors:

Mr. Erwin Brecher, Chairman of Brenner, who is Chairman of the Company.

Lord Pender who was for many years associated with and a director of a substantial group of investment trusts and is currently working in the investment field.

Mr. M. J. St. G. Kelton, a member of The Stock Exchange and a partner in the firm of Raphael Zorn, who spent 20 years in the investment field, 15 of them in the investment department of a leading merchant bank.

Mr. P. M. Gellway who has spent 16 years in the investment field, the last ten being in the management of investment trusts. He is currently a fund manager with a multi-asset fund with assets totalling £100 million.

Mr. R. E. Collin-Jones, a member of The Stock Exchange, and a partner in the firm of Borge & Co. who specialises in institutional fund management.

Mr. M. E. S. W. Brecher, a director of Brenner for the last four years.

**Investment Policy**  
 The Board intends that the investment portfolio of the Company will consist predominantly of equity and gilt-edged securities listed on The Stock Exchange. It has no intention at present to invest overseas but will consider opportunities to do so as and when they arise.

Medium and long-dated gilt, oil, chemicals, minor companies and engineering will be sectors on which the Board will initially concentrate but the investment portfolio will remain widely spread and well balanced.

In any event not more than 10 per cent. of the Company's assets will be invested in any one company unless it is an investment trust approved by the Inland Revenue under Section 35 of the Income and Corporation Taxes Act 1976 (as amended) ("ICTA"). The Board will generally be seeking capital growth with due regard to income and will look favourably on opportunities for capital growth.

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## (v) EXTRAORDINARY ITEMS

Legal and professional expenses in relation to the various offers received by the shareholders and the recommendations made by the directors of the company thereon

Period to 15th March 1977

£1,423

## (vi) DIVIDENDS

Dividends set of income tax and imputed tax credits:

Period to 15th March 1977

£1,423

The share capital consisted of 900,000 ordinary shares in issue from 15th March 1977 until 15th June 1975, as a result of the rights issue on that date (see paragraph 5 (iii)) 2,000,000 shares thereafter. No dividend for the period ended 15th March 1977 has been declared at the date of this report.

## (vii) EARNINGS PER SHARE

The calculations of earnings (loss) per share are based on earnings after taxation and before extraordinary items and on 900,000 shares in issue throughout the four years ended 31st March 1977, on the weighted average of 2,125,222 shares in issue for the year ended 31st March 1976 and 2,000,000 shares for the period ended 18th March 1977.

## 5 SUMMARY OF BALANCE SHEETS

THE COMPANY

Period to 15th March 1977

£1,423

£1,423

£1,423

£1,423

£1,423

£1,423

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This advertisement appears as a matter of record only.



## General Foods, Limited

(Incorporated under the laws of Canada)

Can. \$25,000,000

8½% Notes 1984

Wood Gundy Limited

Credit Suisse White Weld Limited

Deutsche Bank Aktiengesellschaft

Goldman Sachs International Corp.

Lehman Brothers Incorporated

Union Bank of Switzerland (Securities) Limited

Alahli Bank of Kuwait (K.S.C.)	Algemeine Bank Nederland N.V.	A. E. Ames & Co.
Amsterdam-Rotterdam Bank N.V.	Bache Halsey Stuart Inc.	Julius Baer International
Banca Commerciale Italiana	Banca del Gottardo	Banca Nazionale del Lavoro
Bank Gutzwiller, Kurz, Buegner (Oreassa)	Bank Hoeser & Cie. AG	Bank Leu International Ltd.
Bankers Trust International	Bankhaus Hermann Lampe	Banque Arabe et Internationale d'Investissement (B.A.I.I.)
Banque Bruxelles Lambert S.A.	Banque Generale du Luxembourg S.A.	Banque Internationale à Luxembourg S.A.
Banque Louis-Dreyfus	Banque Nationale de Paris	Banque de Neufville, Schlumberger, Mallet
Banque de Paris et des Pays-Bas	Banque Populaire Suisse S.A. Luxembourg	Baring Brothers & Co.
Bayerische Hypotheken- und Wechsel-Bank	Berliner Handels- und Frankfurter Bank	Bureau Fry
Caisse des Dépôts et Consignations	Chase Manhattan	Citicorp International Group
Continental Illinois	Credit Commercial de France	Credit Industriel et Commercial
Creditanstalt-Bankverein	Credito Italiano	Daiwa Europe N.V.
Deutsche Girozentrale-Deutsche Kommunalbank	Dresdner Bank	Dresdner Bank
Dillon, Read Overseas Corporation	Domination Securities	Dresdner Bank
European Banking Company	First Boston (Europe)	First Chicago
The Gulf Bank	Hambros Bank	Hill Samuel & Co.
Kidder, Peabody International	Kleinwort, Benson	Kreditbank N.V.
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)	Kuwait International Investment Co. s.a.k.	Kuwait International Investment Co. s.a.k.
Kuwait Investment Company (S.A.K.)	Lévesque, Beaubien Inc.	Lloyds Bank International
London Multinational Bank	McLeod, Young, Weir & Company	Manufacturers Hanover
Merrill Lynch International & Co.	Samuel Montagu & Co.	Morgan Stanley International
The Nikko Securities Co. (Europe) Ltd.	R. Nivison & Co.	Nomura Europe N.V.
Pietet International	W. C. Piffeld & Co. (London)	PKBanken
N. M. Rothschild & Sons	Salomon Brothers International	Sanwa Bank (Underwriters)
J. Henry Schroder Wagg & Co.	Skandinaviska Enskilda Banken	Société Financière Assuratrice (SOFIAS)
Société Générale	Société Générale de Banque S.A.	Strauss, Turnbull & Co.
Swiss Bank Corporation	Union de Banques Arabes et Françaises (U.B.A.F.)	Union de Banques Arabes et Françaises (U.B.A.F.)
Verband Schweizerischer Kantonalbanken	Vereins- und Westbank	J. Vontobel & Co.
Wardley	Westdeutsche Landesbank Girozentrale	Westfälische Bank
		Yamaichi International (Europe)

All these notes have been sold. This announcement appears as a matter of record only.



## Republic of Bolivia

U.S. \$15,000,000 10½ per cent. Notes due 1982

(Extendable at Noteholders' option to 1987)

Issue Price 100 per cent

Arab Finance Corporation S.A.L.

Merrill Lynch International &amp; Co.

Libyan Arab Foreign Bank

Bank of America International Limited

First Chicago Panama S.A.

Amex Bank Limited

Swiss Bank Corporation (Overseas) Limited

Union de Banques Arabes et Françaises - U.B.A.F.

Westdeutsche Landesbank Girozentrale

Adela Investment Company S.A.	Alahli Bank of Kuwait (K.S.C.)	Algemeine Bank Nederland N.V.
Al Saudi Banque	American Express Middle East Development Co. SAL	ASEAM Capital Corporation Limited
Bache Halsey Stuart Inc.	Banco Latino, C.A.	Bancom International Limited
Bankhaus Hermann Lampe	Banque Belge pour l'Industrie S.A.	Banque Bruxelles Lambert S.A.
Banque du Crédit Populaire S.A.L. (Beyrouth)	Banque Européenne pour le Moyen-Orient (France) S.A.	Banque Nationale de Paris
Banque Française du Commerce Extérieur	Banque Populaire Suisse S.A. (Luxembourg)	Bayerische Hypotheken- und Wechsel-Bank
Beirut Riyad Bank SAL	Bergen Bank	Byblos Arab Finance Bank (Belgium) S.A.
Byblos Bank S.A.L.	Compagnie de Banque et d'Investissements (Underwriters) S.A.	Compagnie Luxembourgeoise de la Dresdner Bank (Dresdner Bank International)
Credit Lyonnais	Credit du Nord	Richard Daus & Co. Bankiers
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Genossenschaftliche Zentralbank AG	Antony Gibbs & Sons Limited	Isidoro Bancaria San Pablo di Torino
E. F. Huron & Co. N.V.	International Marine Banking Co. Limited	Kuwait International Finance Co. s.a.k. (KIFCO)
Kuwait International Finance Co. s.a.k. (KIFCO)	Kuwait International Investment Co. s.a.k.	Kuwait Investment Company (S.A.K.)
Middle East Bank (France) S.A.	Nesbitt, Thomson	Nomura Europe N.V.
Singapore Nomura Merchant Banking Limited	Skandinaviska Enskilda Banken	Société Financière Union C.A.
Société Financière de Beyrouth	Société Générale de Banque S.A.	Société Séquanaise de Banque
Strauss, Turnbull & Co.	Svenska Handelsbanken	Trade Development Bank Overseas Inc.
Union Bank of Switzerland	Union Bank of The Middle East Ltd. - Dubai	United Overseas Bank Limited, Singapore
Union de Banques Arabes et Européennes S.A. (U.B.A.E.)	Vereins- und Westbank	

April, 1977

## INTERNATIONAL FINANCIAL NEWS

### Volkswagen returns to profits

BY GUY HAWTHORN

VOLKSWAGEN, the West German motor manufacturer, has returned to profit in 1976, after a year of losses. The company's 1976 operating profit was \$245.7m, compared with a loss of \$157.7m in 1975. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975. The company's 1976 operating profit was \$245.7m, compared with a loss of \$157.7m in 1975. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975.



Toni Schmuckler

Last year, the Volkswagen group worldwide delivered 2.1m motor vehicles. The company's 1976 operating profit was \$245.7m, compared with a loss of \$157.7m in 1975. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975.

In Mexico, the story was different. Volkswagen's sales in Mexico fell by 33.1 per cent in 1976, from 94,418 units in 1975 to 63,000 units in 1976. The company's 1976 operating profit was \$245.7m, compared with a loss of \$157.7m in 1975. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975.

### Bulgaria seeking \$20m.

BY FRANCIS GHILIS

BULGARIA is leading the way in the medium-term markets of what could be a number of Eastern European borrowers. The Bulgarian Foreign Trade Bank signed a loan for \$20m. for six years at a spread of 1½ per cent over Libor. Lead manager of the loan is the order of \$100m.

ever, it is understood that the management fees were high thus making the cost of borrowing very close to what it would have been if the spread had not been changed. This credit is seen by bankers as paving the way for a much larger one, possibly of the order of \$100m.

### ABN announces rights issue

BY MICHAEL VAN OS

ALGEMEENE BANK NEDERLAND (ABN) will be making a rights issue shortly on a one-for-ten basis with the issue price fixed at Fls250. It was announced here.

The bank said the new shares would fully qualify for dividends from 1977 onwards. The prospectus will be published on May 3, and listing of the new shares will be in the main European stock exchanges. ABN's rights issue will reinforce the bank's capital base in preparation for continued expansion of business. In mid-April, the bank announced the issue of Fls100m of 10 per cent "capital" bonds for the same purpose.

AMSTERDAM, May 2. ABN has been taken, it was added, to give shareholders a "modest reward" especially since they did not receive a dividend over 1976 either.

Estel made a relatively small loss of Fls68m. in 1976 after an unexpectedly large extraordinary income. Estel explained that the shareholders were making an important contribution to the company by furnishing capital, which should be rewarded "at all possible". It further pointed to the "considerable" retained profits at Hoogovens and Hoesch which were added to reserves in earlier years.

### Loss of kr.262m. at Uddeholms

BY JOHN WALKER

UDDEHOLMS, the Swedish steel and forest products concern, reports a loss of kr.262m. for the year ended 1976. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975. The company's 1976 operating profit was \$245.7m, compared with a loss of \$157.7m in 1975. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975.

STOCKHOLM, May 2. UDDEHOLMS, the Swedish steel and forest products concern, reports a loss of kr.262m. for the year ended 1976. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975. The company's 1976 operating profit was \$245.7m, compared with a loss of \$157.7m in 1975. The company's 1976 sales were 2.1m units, compared with 1.9m in 1975.

### AMERICAN COMPANIES

### U.S. Steel—hopeful outlook

U.S. STEEL Corporation's second quarter earnings will be at least above the first quarter level of 33 cents a share, executive vice president Mr. W. Bruce Thomas told Reuters after a press conference.

PITTSBURGH, May 2. U.S. STEEL Corporation's second quarter earnings will be at least above the first quarter level of 33 cents a share, executive vice president Mr. W. Bruce Thomas told Reuters after a press conference.

AMAX INCORPORATED said it informed the Board of Copper Range Company that it will take its shares against the proposed merger of that company into a subsidiary of Louisiana Land and Exploration Company, reports AP-DJ.

ARMCO STEEL Corporation reports sharp fall in net profit in the first quarter, to \$8.2m from \$33.3m, in the same period last year. Sales totalled \$785.1m against \$742.1m. Earnings per share were 15c, against 19c.

Copy 100 1.50







## WALL STREET + OVERSEAS MARKETS

## Up 4 on favourable economic news

## + FOREIGN EXCHANGES

## Sterling steady

BY OUR WALL STREET CORRESPONDENT

**MOSTLY HIGHER** levels were recorded on Wall Street today, moved up \$1.25 to 867.75, it made a new high for the year since the following strength in Oils and more favourable economic news from Washington.

The Dow Jones Industrial Average rose 4.32 to 931.22 and the NYSE All Common Index up 27.25 to 333.33, while the Russell 2000 rose 1.50 to 134.50. The volume of trading was 360,000 shares to 17.7m.

The Oil and Natural Gas Group responded to growing investor conviction that part of the Government's proposed Energy Programme the Gasoline Tax increase in particular — will not survive to Congress.

Also helping the Stock Market was the Government's announcement of a 6 per cent rise in March U.S. Construction Spending to a seasonally-adjusted annual rate of \$137.3bn. on April 19th.

A Government report of a 3.3 per cent rise in U.S. New Factory Orders in March, following a 1.3 per cent gain in February, also buoyed the market.

## MONDAY'S ACTIVE STOCKS

Stock	Change
Marshall Field	+0.12
Westinghouse	+0.12
General Electric	+0.12
IBM	+0.12
AT&T	+0.12
Amstar	+0.12
Amgen	+0.12
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rate of \$137.3bn. on April 19th.

A Government report of a 3.3 per cent rise in U.S. New Factory Orders in March, following a 1.3 per cent gain in February, also buoyed the market.

## INDICES

## NEW YORK - DOW JONES

— 10 —







## FINANCIAL TIMES STOCK INDICES

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Share Exchange



## OFFSHORE AND OVERSEAS FUNDS

[illegible]

## INSURANCE, PROPERTY, BONDS

[illegible]

Today it makes sense to exchange your shares for a holding in a good unit trust. But don't think that all share exchange schemes are the same. Tyndall's is particularly generous and initial charges in Tyndall Unit Trusts are low.

Whether you want income or capital growth, the range of Tyndall Unit Trusts can meet your needs. There are also important tax advantages in being in a unit trust.

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Property Growth .....	101%
Cannon Assurance .....	7%

Address shown under Insurance and Property Bond Table.

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CORAL INDEX: Close 427-437 428-433 N.T.

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G.K.N.	25	Tesco	4	Cons. Gold	15
		Thorn 'A'	22	Rio T. Zinc	18
		Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page



38

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## Ford captures 30% of home car market

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE month-long toolmakers' strike at Leyland Cars has given Ford the opportunity to win more than 30 per cent of the market for the first time this year.

Leyland has slid to about 20 per cent, about 13 per cent less than its marketing and distribution facilities are geared to achieve.

The figures for the April market, due to be published later this week, show the impact made by Ford's relatively new product range, as well as the loss of confidence caused by Leyland's publicised production problems.

Many Leyland dealers feel that on both fronts, the State-owned company is now fighting a tough battle.

They say that the loss of market share since the launch of the State-owned company two years ago—all at time Leyland stood well above 30 per cent—will be difficult to recover because of adverse publicity.

They are anxious that the product line is beginning to look dated in contrast with the variety of foreign makes and U.K.-produced alternatives

now available. Some analysts have predicted that Ford will this year overtake Leyland in the number one slot in the U.K. market. The two companies were very close last year, with Leyland just edging ahead, but in the first quarter, Ford did not do as well as expected and dropped behind.

In April, it appears to have recovered, and is now claiming to have overtaken Leyland for all its cars, particularly the Cortina. The popularity of this new model, along with the Escort, in the middle sector of the family car market, is the most serious threat to Leyland in the months ahead.

The State-owned company is now producing well again, quality is said to be improving, and there will be reasonable availability of the Marina, Allegro, Dolomite and TR7 models this month.

But some dealers fear that the Marina and Allegro models may not prove to be adequate competitors if the present buoyant demand begins to slacken.

Leyland reorganisation strategy Page 19

## JFB takes over British Rollmakers

BY TERRY WILKINSON, CITY STAFF

JOHNSON AND FIRTH BROWN, the Sheffield steel and engineering group, yesterday gained effective control of British Rollmakers Corporation in a £12m takeover bid which marks a significant change to the organisation of steel roll making in the U.K.

The BRC Board, which had tentative discussions with JFB a month ago, will be meeting today to discuss the offer terms. JFB shares for every 20 BRC shares, valuing each BRC share at 55p against a market price of 53p, up 4p yesterday. JFB is hoping to secure the BRC Board's recommendation of these terms.

Johnson and Firth Brown has held a stake of just under 10 per cent in BRC for 18 months and yesterday, spurred on by recent legislation on share disclosure, revealed that it held 12.5 per cent and had won the agreement of the key BRC shareholder, Davy International, for its 29.9 per cent holding. A further 7.1 per cent was rapidly acquired in the market to give JFB control of just over 50 per cent of BRC.

Davy, which recently made an agreed £52m bid for Herforth Morris, has been keen to sell its holding in BRC since its bid for the company was vetoed by the Government after unfavourable Monopolies Commission verdict in 1974.

Mr. Philip Linn, general manager of JFB, emphasised

yesterday the marketing logic, particularly on exports, of bringing together the two companies' roll-making activities.

JFB dominates the forged roll market with Dufford and Elliott, acquired in January by Lorbho after a vigorously contested £12m bid by JFB. The last roll market is shared between BRC and a subsidiary of Davy International.

Some two-thirds of JFB's forged roll products and between 35 and 40 per cent of BRC's cast roll output goes for export, with the remainder bought by the British Steel Corporation.

BRC also has a machine tool division supplying the motor industry which JFB sees as a natural extension of its plans to move further into finished products.

JFB has chosen a financially opportune moment to make its approach. A month ago BRC announced a drop in 1976 profits to £1.3m from a figure of £1.8m, which included a loss of £300,000 caused by a strike and the dividend was barely covered.

A key factor in the bid will be the attitude of the Office of Fair Trading. Mr. John Buckley, chairman of Davy International, which will hold a 7 per cent stake in JFB if the bid succeeds, said yesterday that he believed JFB would prove acceptable. The hook of Davy's holding in BRC is 59p a share against the bid value of 55p.

## Oil price hopes 'dimmer'

PROSPECTS for an end to the oil price disagreement among the oil-exporting nations appear to be growing dimmer, according to the Middle East Economic Survey and observers following the Middle East tour of St. Carlos Andres Perez, the Venezuelan president.

The Survey's well-informed weekly journal based in Nigeria, said the chances of bridging the differences among the member states of OPEC "do not look at the moment any brighter" because of strong Saudi Arab opposition to raising that country's prices.

Meanwhile, sources following St. Perez' tour said in Baghdad yesterday that Saudi Arabia has

not shifted from its position and regards the price question as primarily a political rather than an economic or financial question, wishing the Arab countries to appear moderate and to influence the U.S. in its attitude towards the Arab-Israeli conflict.

Eleven OPEC nations decided last December to implement a 10 per cent price rise in the first half of 1977, to be followed by a further 5 per cent increase in July.

But Saudi Arabia and the United Arab Emirates broke ranks with other oil nations, declaring they would raise their prices no more than 5 per cent for the whole year.

## Weather

U.K. TODAY  
RAIN, cold in Scotland and N. Ireland.  
S. E. N. England, Channel Isles  
Cloudy, outbreaks of rain.  
Max. 12C (54F).  
S.W. England, W. Midlands.  
Cloudy, outbreaks of rain.  
Max. 13C (55F).

### BUSINESS CENTRES

City	Temp	City	Temp
Alexandria	23	Luxemburg	15
Amsterdam	15	Madrid	16
Antwerp	15	Moscow	14
Bahia	21	Munich	14
Barcelona	17	Nairobi	14
Bombay	21	Paris	14
Buenos Aires	18	Rome	14
Calcutta	24	Stockholm	14
Cairo	24	Switzerland	14
Cardiff	13	Tokyo	14
Cebu	24	Vienna	14
Dakar	24	Zurich	14
Damascus	24		
Dhaka	24		
Dublin	14		
Edinburgh	14		
Freetown	24		
Glasgow	14		
Hong Kong	24		
London	14		
Lyons	14		
Manila	24		
Mexico	24		
Mumbai	24		
Nairobi	14		
Osaka	14		
Paris	14		
Rangoon	24		
Reykjavik	14		
Riyadh	24		
Singapore	24		
Sofia	14		
Taipei	24		
Tel Aviv	14		
Tokyo	14		
Yokohama	14		
Zurich	14		

### HOLIDAY RESORTS

City	Temp	City	Temp
Alexandria	23	Las Vegas	14
Amsterdam	15	London	14
Antwerp	15	Madrid	16
Bahia	21	Moscow	14
Barcelona	17	Munich	14
Bombay	21	Nairobi	14
Buenos Aires	18	Paris	14
Calcutta	24	Rome	14
Cairo	24	Stockholm	14
Cardiff	13	Switzerland	14
Cebu	24	Tokyo	14
Dakar	24	Vienna	14
Damascus	24	Zurich	14
Dhaka	24		
Dublin	14		
Edinburgh	14		
Freetown	24		
Glasgow	14		
Hong Kong	24		
London	14		
Lyons	14		
Manila	24		
Mexico	24		
Mumbai	24		
Nairobi	14		
Osaka	14		
Paris	14		
Rangoon	24		
Reykjavik	14		
Riyadh	24		
Singapore	24		
Sofia	14		
Taipei	24		
Tel Aviv	14		
Tokyo	14		
Yokohama	14		
Zurich	14		

## Callaghan presses for quick Drax decision

By Richard Evans, Lobby Editor

THE PRIME MINISTER is putting pressure on the Cabinet to reach a decision on the building of the controversial Drax B power station by Thursday of this week.

Mr. Callaghan has asked the two Ministers concerned, Mr. Eric Varley, Secretary for Industry, and Mr. Anthony Wedgwood Benn, Secretary for Energy, to produce recommendations on the ordering of the coal-fired power station and the restructuring of the power plant industry for discussion at Thursday's Cabinet.

If a conclusion can be reached by the end of the week, the Commons in the afternoon. Some of the Ministers most closely involved are expected to hold a preliminary meeting today.

The Drax B project has been the subject of angry exchanges between Mr. Benn and Sir Arthur Hawkins, chairman of the Central Electricity Generating Board, who claims there is no demand at present for the electricity the 2,000mw power station would produce.

Mr. Benn is anxious for the project to go ahead because of the jobs that would ensue and because of the desperate need for orders in the industry.

The restructuring of the power generating industry has led to a further series of arguments between Ministers. MPs and the companies. There has been general agreement on the need to merge GEC's turbo-generator interests with C. A. Parsons, the Newcastle-based subsidiary of Reynolds Parsons, but the mechanics of the deal, the respective shareholdings of the two companies and the possible role of the National Enterprise Board have been the subject of long debate.

Leyland reorganisation strategy Page 19

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## Airbus

added, "costs about \$25m, about \$5m less than the Lockheed L-1011. Its fuel consumption on a per-seat basis is about 23 per cent less than the Boeing 727-200. It also meets every single airport noise standard which will be applied up to the 1990s."

Eastern, whose air routes stretch over nearly 35,000 miles over the U.S. Eastern, which operates a mixed fleet consisting of Lockheed L-1011 TriStars, Boeing 727-225s and 727-100s, McDonnell Douglas DC9s, and some older propeller-driven Lockheed Electras.

The four General Electric-powered A-300 will be delivered to Eastern during this autumn. But the trial period will not really start until the winter travel season starts picking up in December. Eastern will have to purchase little special Airbus ground equipment only aircraft can use—since, as always, the engineering ramps used on the Tristar fit the European plane.

The Eastern evaluation, Dr. Eberle said, will be in three parts. "We will first have to test the planes to make sure that they operate to the same standards as our high standards. We will then look at the costs involved and determine whether we can make the desired profit. Once all this is done, we must ensure that we can finance any purchases that we plan."

David Curry writes from Paris: An eventual purchase by Eastern Airlines of the Airbus, which is manufactured by Airbus Industrie in Toulouse, will more than compensate for the loss of the expected order for at least eight aircraft from Western Airlines a few weeks ago.

Last month the first Airbus sale for more than a year was completed when TWA Airlines signed a contract for two aircraft with two options. The Airbus, with a 2,300-mile range, is powered by two General Electric CF6-80 engines, but the company is hoping to offer alternatives with the Pratt and Whitney JT9 engine and, possibly, the Rolls-Royce RB211. It is also intended to produce a long-distance version of the aircraft and a shortened medium-distance version originally conceived for RB211 engines.

Aerospace of France—which is State-owned—and MBB and Fokker VFW of Germany are the main shareholders in the Airbus consortium from which the U.K. withdrew in 1983 before its formal constitution. However, Hawker-Siddeley, now part of the nationalised U.K. aerospace industry, retained a private-venture stake in the project and is the sub-contractor for the wings.

With the disappointment of the failed Western Airlines sale behind it, the consortium is reticent about talking of substantial orders. But Mr. Bernard Lathiere, managing director of Airbus Industrie, commented last week that when Eastern had fed the Airbus' characteristics into its computer, a theoretical need for 120 aircraft had emerged.

However, more conservatively, both Airbus in the U.S. and Eastern admit that a figure of 50 eventually could be realistic. Up to now the Airbus has won 37 firm orders and 25 options, not counting the leasing to Eastern. An estimate of some 120 to 130 sales has been the most optimistic recent assessment of its prospects, based on the known eventual fleet needs of existing customers and possible new clients.

## Lorrho granted exemption from dividend curbs

BY MARGARET REID

LORRHO, the conglomerate with interests in a number of British companies, which has recently bought a number of British companies, surprised the City yesterday with the announcement that the Treasury had exempted it from dividend controls.

The company said it had been exempted "since its main trading and operations are almost entirely outside the U.K."

This news, which put Lorrho's shares up 6p to 78p, came only four days after the Treasury clarified its policy by saying it would normally exempt companies with 90 per cent or more of both their assets and earnings abroad.

Lorrho does not disclose the

value of its U.K. assets, but these include such sizeable businesses as Volkswagen (G.B.) and Brentford Nylons. A number of recent acquisitions, including Dufford and Elliott, and London City and Westcliff Properties, has lately been added.

A considerable amount of debt was taken over with some of the companies recently purchased. It appears the Treasury may pay attention to net as well as gross assets in reaching its decisions.

About 20 per cent of Lorrho's pre-tax profits of £53.37m, in 1976-77, came from the "U.K. and other" areas. Other U.K. interests have since been acquired, but some of these have been lost.

## Government survives transport challenge

BY RICHARD EVANS, LOBBY EDITOR

THE GOVERNMENT survived a combined attempt by the Conservatives and Liberals to defeat it in the Commons last night on the issue of rural transport. An Opposition motion was defeated by 283 votes to 267, a Government majority of six.

The result illustrated the difficulty the Conservatives always face in seeking to defeat the Government—they need the support of the minority parties and the independents.

None of the 'United Ulster Unionists' was at Westminster for last night's vote because of the threatened strike, two Scottish National Party MPs missed the division and there were also two Liberal absences.

The motion was a lectionary one to reduce the salary of Mr. William Rodgers, the Transport Minister, by £100 and a defeat would have been no more than an embarrassment to the Minister and to the Government.

A much more serious test will come next Monday during the Committee Stage of the Finance Bill when the Government faces defeat over the Budget proposal to increase petrol tax by 5p.

Mr. Rodgers promised during yesterday's debate that the Government would allocate more money for rural transport and he also pledged some relaxation in the system of public vehicle licensing in rural areas.

"A new charter for transport in rural areas is my aim," he said. Further details are expected to be disclosed in the Transport White Paper to be published at the end of the month.

an embarrassment to the Minister and to the Government.

As far as turnover goes the picture is slightly brighter and a 16 per cent sales growth in 1976-77, with a 23 per cent increase in U.K. performance, for example, with about 5 per cent extra selling space, overall volume has been roughly maintained, though volume through existing stores probably fell slightly.

As for the current year, trading has started off sluggishly but with another 3 to 4 per cent extra selling space—coming on stream, and a slowdown in wage costs bolstering net margins, pre-tax profits of around £30m. look possible. But at 198p the shares are on a multiple of 17 and yield 4.4 per cent, which is hardly generous.

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## Liechtenstein orders probe into Texon

BY JOHN WICKS

ZURICH, May 2.

THE BOARD of Credit Suisse announced late last night that it had set up a special commission to investigate the losses by the bank's Chasso branch.

The Government of the principality of Liechtenstein has a long-standing interest in the activities of the company Texon-Finanzanstalt, head office in Vaduz, the Liechtenstein capital, in connection with the substantial Chasso losses.

Texon has been named by a bank and the authorities of Ticino Canton, Switzerland, as the company to which SwissFr.2.2bn. of fiduciary funds were transferred to the Chasso branch in 1974.

The Swiss Federal Council said today in Parliament that it would report on the Credit Suisse case this week.

The Liechtenstein Government, which expresses its concern at the case, says that its public prosecutor will investigate the company, formed in 1981 with a capital of SwFr.500,000, particularly in view of possible contraventions of a decree governing foreign holdings in Swiss banks.

This decree, the same as that in force in Switzerland, with which Liechtenstein has a currency union, is the basis of investigations by the Swiss National Bank. Liechtenstein says she is prepared to supply any necessary legal aid to Switzerland.

The Government in Vaduz says it does not know whether Texon is controlled by Swiss or Italian interests. This is because company of "anonymous" type—companies of holding company in Liechtenstein—usually do not

have shares. They are frequently formed by local company lawyers, but set up a special commission to investigate the losses by the bank's Chasso branch.

The Principality's banking control authority is likely to determine whether Texon, not registered as a bank or bank-type finance company, has broken the law by carrying out banking operations.

Texon Board members in Liechtenstein, by local law those responsible for the company, are the Vaduz lawyer Herr Franz Gsteohel, consul of San Salvador, and his son Harry Gsteohel, also practising in Vaduz.

In Switzerland, a large-scale political offensive seems imminent to improve banking controls. M. Helmut Hubacher, president of the Social Democratic Party, has called for radical reform in the banking sector and claimed that "dubious speculative transactions have long been considered good form by the big banks."

His party, said M. Hubacher, had always demanded public control over the big banks, and after the Chasso affair "cosmetic" measures would no longer be enough.

M. Hans Wyrer, President of the National Council and president of the Christian Democratic Party, said the State had a duty to intervene when public interests were affected.

The radicals are less keen to introduce a new law. All three parties have two Ministers each in the Federal Council.

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## Base lending rates cut

approach. The general trend in market rates could have been taken to justify a bigger reduction.

The banks say there is still no indication that the substantial drop in the cost of money has been accompanied by any significant increase in the demand for borrowing by their industrial customers.

They are concerned about the possible impact on their deposit funds of the present low rates compared with the much higher return being offered by the building societies. Though there has not been a large outflow of funds the banks fear depositors could be attracted away by higher returns available elsewhere.

The banks say their room for manoeuvre is limited by the need to sustain the present exceptionally wide margin between deposit and loan rates in order to maintain their profits. There are

suggestions that the banks may consider new increases in charges to customers to reduce this pressure.

In the money markets the trend of rates continued downwards yesterday. Treasury bills were trading at levels which would produce an 8 per cent M.L.R. if the normal formula were in operation. It was felt they could indicate an M.L.R. of 7 1/2 per cent by the end of the week.

The initiative lies with the Bank of England, however. On Friday the Bank allowed only a point cut in M.L.R. overriding the market-revised formula which would otherwise have brought the official rate down to 8 per cent.

This move was in line with the Bank's general policy of resisting too rapid a decline in rates in the face of the uncertainties surrounding the U.K. economy and the pay policy.

## THE LEX COLUMN

# Stage Two comes late at BHS

In comparison with recent results from other major retailers, British Home Stores has turned in a pretty lacklustre performance for 1976-77, with pre-tax profits just £3.6m. ahead at £25.5m., of which nearly £1m. reflected extra interest received.

Whereas Marks and Spencer, House of Fraser, and others were able to boast a healthy improvement in net margins, BHS has only been able to maintain its own. The timing of the £5 per week pay award last June came later than for most other retailers and a 23 per cent rise in payroll costs partly explains the poor showing on margins.

Added to which BHS has been less aggressive than Marks and Spencer, for instance, in raising gross margins, and the slide in sterling has eroded the competitive edge of its imported goods which constitute over a fifth of total sales. Against this background BHS has only been able to maintain net margins by keeping a very firm grip on non-wage operating costs.

As far as turnover goes the picture is slightly brighter and a 16 per cent sales growth in 1976-77, with a 23 per cent increase in U.K. performance, for example, with about 5 per cent extra selling space, overall volume has been roughly maintained, though volume through existing stores probably fell slightly.

As for the current year, trading has started off sluggishly but with another 3 to 4 per cent extra selling space—coming on stream, and a slowdown in wage costs bolstering net margins, pre-tax profits of around £30m. look possible. But at 198p the shares are on a multiple of 17 and yield 4.4 per cent, which is hardly generous.

possibly fulfil both, if either, of the 90 per cent criteria.

The group's accounts for the year ended last September indicated that "U.K. and other" pre-tax profits were £18.9m., a fifth of the whole, fitting in with a net U.K. tax liability of £9.8m.

No assets breakdown was given, but of capital employed of almost £400m. Volkswagen (G.B.) and Brentford Nylons alone represented 4.8 per cent. Since then two rights issues worth £20m. have helped to finance the takeovers of London City and Westcliff (£19m.) and Danford and Elliott (£16m.) among other deals. Lorbho is not offering any help in resolving this puzzle. But the obvious conclusion is that it has persuaded the Treasury to accept low figures for the value of its U.K. assets and the earnings from them.

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